

# **Bond Case Briefs**

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## **GFOA Executive Board Approves New Best Practices.**

On September 25, 2015, GFOA's Executive Board approved five new best practices and seven revised best practices, providing recommendations to government finance officers in the areas of accounting, budget, retirement benefits administration, capital planning, and debt issuance.

[Understanding Your Continuing Disclosure Responsibilities.](#) The Committee on Governmental Debt Management updated this best practice to alert issuers to the increasing attention of federal policy makers and investor advocacy organizations on improving disclosure for government bond issuers. The updated best practice emphasizes specific areas for issuers to make improvements in based on the SEC's 2014 Municipalities Continuing Disclosure Cooperation Initiative (MCDC), as well as separate SEC enforcement cases, such as the 2013 case against the City of Harrisburg, PA and the 2014 Allen Park, MI case. The GFOA is firmly committed to helping issuers understand and meet their federal continuing disclosure obligations, and have updated this best practice to further that effort.

[Using Technology for Disclosure.](#) Beyond updating this best practice to increase issuer awareness of federal regulatory efforts to improve issuer disclosure, the Debt Committee also wanted to alert issuers to improved uses of not only issuer websites but new features on the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA) system, which enable issuers to improve the flow of disclosure information to investors. Updates were also made to this best practice to advise issuers on concerns about using other digital communication platforms (such as social media) to transmit disclosure information to investors.

[Using Credit Rating Agencies.](#) The Debt Committee developed this new best practice to provide guidance to governments about how to select and manage credit rating agencies. The best practice was organized to help finance officers navigate the ever changing landscape of credit rating methodologies, and alert governments to the key factors they should consider in hiring one or multiple rating agencies, the types of debt issues that may benefit from obtaining a credit rating, what an issuer should be prepared to do to maintain a credit rating, and guidance on terminating a relationship with a rating agency.

[Defined Contribution Plan Fiduciary Responsibility.](#) Recognizing many governments offer defined contribution retirement plans as a supplement to a defined benefit plan, or in some cases, as the sole employee retirement plan, this new best practice developed by the Committee on Retirement and Benefits Administration (CORBA) provides thorough guidance on a clear and well-documented governance structure to guide plan administrators, sponsoring entities, and governing bodies as they provide sound fiduciary guidance of the defined contribution retirement plan.

[Informing and Educating Employees about Retirement Benefit Adequacy.](#) CORBA built this new best practice to provide guidance to public-sector employers and plan administrators who have a responsibility to inform and educate employees about future retirement income in the context of the many variables that may compromise retirement benefit adequacy.

[Adopting Financial Policies.](#) The Committee on Governmental Budgeting and Fiscal Policy (Budget

Committee) rewrote this best practice, which was last updated in 2001. The document recommends that governments formally adopt financial policies, and provides steps to consider when making effective financial policies include scope, development, design, presentation and review.

[Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund.](#) This best practice is the result of the Budget Committee's efforts to combine the existing Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund and Replenishing General Fund Balance best practices. In the new version of the document the GFOA recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund for GAAP and budgetary purposes. The Budget Committee recommends that such a guideline should be set by the appropriate policy body and articulate a framework and process for how the government would increase or decrease the level of unrestricted fund balance over a specific time period.

[The Impact of Capital Projects on the Operating Budget.](#) The Budget Committee prepared this new best practice following committee discussion about the analysis of operating impacts from capital, and the consensus opinion that such analysis is often deficient in practice. This is an indicator that practitioners are failing to understand the need, not effectively making the argument within their jurisdictions to include it, or lacking the tools and methodologies for calculating or showing the costs. To assist practitioners, this best practice recommends that governments discuss and quantify the operating impact of capital projects in their budget documents, and ensure that the impacts are identified on an individual project basis.

[Assessing Risk and Uncertainty in Economic Development Projects.](#) GFOA's Committee on Economic Development and Capital Planning (CEDCP) updated this best practice to better enumerate the steps in the risk assessment. The best practice recommends that governments recognize and evaluate risks related to participation in an economic development project before authorizing participation, and recommends that a project should not be undertaken if risks are determined to not be acceptable, and cannot be mitigated.

[Monitoring Economic Development Performance.](#) CEDCP updated this best practice to bring greater emphasis to comparing the results of the project to the goals in order to provide more insight on the quality of the decision to authorize the project and to enable organizational learning from the decision. The best practice recommends that governments monitor economic development projects and program performance to ensure objectives established in an economic development policy are accomplished, and ensure that the finance officer plays a central, functional role in these efforts.

[Establishing a Comprehensive Framework for Internal Control.](#) The Committee on Accounting, Auditing, and Financial Reporting (CAAFR) updated this best practice to reflect changes made to the Committee of Sponsoring Organizations' (COSO) Internal Control—Integrated Framework from 1992. The COSO document, the most widely recognized source of guidance on internal control, was updated and expanded in 2013, and the GFOA recommends that state and local governments adopt the COSO's Internal Control—Integrated Framework (2013) as the conceptual basis for designing, implementing, operating, and evaluating internal control. CAAFR also updated its Framework for Entity-wide Grants Internal Control best practice to be consistent with the expanded COSO publication.

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