

Bond Case Briefs

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GFOA Executive Board Approves New Best Practices and Advisories.

On January 22 the GFOA's Executive Board approved five best practices and an advisory to provide guidance to government finance officers in the areas of budgeting, accounting, retirement benefits administration and debt issuance. A summary of each is provided below.

Budget Consolidation

This new best practice was developed by the GFOA Budget Committee to help finance officers ensure that entity-wide budget totals do not contain double-counting. While accounting standards require items to be recorded in separate funds, interfund activity is eliminated from government-wide consolidated budget totals in financial statements. As budget consolidation occurs, finance officers need to safeguard against double-counting, yet there is limited guidance on how best to accomplish this. This new best practice offers specific guidance to finance officers on how to ensure that government-wide financial statements do not contain double-counting.

Incorporating the Capital Budget into the Budget Document

In developing this best practice the GFOA Budget Committee and Committee on Capital Planning and Economic Development merged and revised the two existing GFOA best practices Presenting the Capital Budget in the Operating Budget Document and Incorporating a Capital Project Budget in the Budget Process. The new document recommends that finance officers adopt a formal capital budget as part of their annual or biennial budget process and provides guidelines to finance officers on incorporating information from the capital budget within the budget document.

Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits

The GFOA Committees on Budget; Accounting, Auditing, and Financial Reporting; and Retirement and Benefits Administration collaborated to revise this best practice, which recommends that state and local government officials ensure that the costs of defined benefit (DB) pensions and other post-employment benefits (OPEB) are appropriately measured and reported. The best practice was updated to (1) provide guidance on how to ensure sustainability of DB pension plans and OPEB, (2) outline what to include in funding policies related to DB pension plans and OPEB and (3) provide recommendations on how to reduce volatility of annual contributions to DB pension plans and OPEB.

Ensuring Other Postemployment Benefits (OPEB) Sustainability

The GFOA Committees on Budget; Accounting, Auditing, and Financial Reporting; and Retirement and Benefits Administration also collaborated to revise this best practice, which recommends that governments ensure OPEB sustainability by evaluating key items specifically related to OPEB, including the structure of benefits offered, the associated benefit cost-drivers, and clear communication to stakeholders. The best practice was primarily revised to focus on sustainability measures specific to OPEB, particularly as related to structure and managing costs of benefits offered.

[Framework for Internal Control: The Control Environment](#)

The GFOA Committee Accounting, Auditing, and Financial Reporting developed this new best practice as a follow-up to the 2015 best practice Establishing a Comprehensive Framework for Internal Control, which recommends that state and local governments adopt the Committee of Sponsoring Organizations' (COSO) Internal Control—Integrated Framework (2013) as their conceptual basis for designing, implementing, operating, and evaluating internal control. The Best Practice said that this would provide governments with reasonable assurance that they are achieving their operational, reporting, and compliance objectives. To support governments' efforts in this area, the GFOA is developing Best Practices that explain how to implement each of the five components of that Framework. This Best Practice focuses on the first of those five components, the Control Environment, which the COSO has defined as a set of standards, processes, and structures, that provide the basis for carrying out internal control.

[Enhancing Tax Abatement Transparency](#)

The GFOA Committee on Accounting, Auditing, and Financial Reporting organized this new best practice to provide recommendations to government finance officers about disclosing tax abatements to comply with GASB Statement No. 77, Tax Abatement Disclosures. The GASB statement requires the disclosure in the notes to the financial statements of only a portion of the information necessary toward understanding the complete justifications and implications of providing tax abatements. GFOA recommends that governments enhance tax abatement transparency and provide a description of the policies governing tax abatements, including what the government is hoping to achieve by utilizing them, and the methodologies used to determine the entity's return on investment from them.

[OPEB Bonds](#)

The GFOA's Committee on Retirement and Benefits Administration and Committee on Governmental Debt Management collaborated to revise this best practice to advise governments against issuing OPEB bonds, and provides a summary of the risks associated with issuing these products.

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