



Top Things You Need To Know

GASB 72

Effective Date

GASB 72 takes effect starting with June 30, 2016 reporting years. However, early adoption is highly encouraged.

Who's Impacted?

Governmental entities impacted by GASB 72:

- * Local Government Units
- * Higher Education Institutions
- * K-12 School Districts
- * Healthcare
- * Pension Plans

Further definition of fair value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Simply defined, fair value is the rational and unbiased estimate of the potential market price of an asset.

Further definition of investment

An investment is defined as “a security or other asset that a government holds primarily for the purpose of income or profit and its present service capacity is based solely on its ability to generate cash or to be sold to generate cash.”

Counterparty mark-to-market is no longer valid

The use of counterparty mark-to-market for instruments, such as interest rate swaps, is no longer allowed.

Now applies to all revenue-producing investments

GASB 72 has a broader scope beyond derivatives, and applies to all revenue producing assets.

Reuses classification schema from FASB 157 (ASC 820)

GASB chose to leverage the input hierarchy in FASB Statement 157, Fair Value Measurement. The level is determined based on the lowest level of input significant to the measurement in its entirety. (Level 1, Level 2, Level 3)

New disclosures required

This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and risk disclosures.

More information required from investment service or custodian

The custodian or other investment service organization needs to provide more information, but governments still must review and conclude for themselves.

Fair value measurements best practice

Use an independent valuation expert to obtain fair values for investments – use HedgeStar!



Call to speak to a GASB 72 expert today:
866-200-9012

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