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GASB Issues Final Statement on Fair Value Measurement and Application.

Norwalk, CT, March 2, 2015—The Governmental Accounting Standards Board (GASB) has issued final guidance on accounting and financial reporting issues related to fair value measurements, which primarily applies to investments made by state and local governments.

[GASB Statement No. 72, Fair Value Measurement and Application](#), defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

Under the new Statement, fair value is defined as 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. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash.

“The Board’s new guidance responds to stakeholder requests for greater clarity regarding the fair value standards and for improved consistency and comparability in governments’ fair value measurements and disclosures,” said GASB Chairman David A. Vaudt. “The Board believes that requiring governments to provide additional information about how they measure the fair value of their assets and liabilities will increase financial statement users’ understanding of the nature of the fair value information they receive and enhance users’ ability to make decisions with that information.”

Prior to the issuance of Statement 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments.

A GASB In Focus on fair value is available [here](#).