



GOVERNMENT FINANCE OFFICERS ASSOCIATION

GASB 40

FREQUENTLY ASKED QUESTIONS

Presented by the Technical Accounting Review Committee

What is the objective of GASB 40?

The GASB's objective in this statement is to provide to users of financial statements information about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. Disclosures required by Statement 40 will allow users to assess common risks inherent in deposit and investment transactions. GASB 40 is an amendment of GASB 3.

If a security is rated differently by two different agencies, do I need to disclose both of the ratings?

No. If a security is rated differently by two different agencies, you must disclose the lowest rating only.

What is the maturity date I should use for equity investments when disclosing interest rate risk?

Risk disclosures for investments apply only to debt securities, not equities.

When computing the weighted average maturity of an investment, should I use the investments fair value on the calculation?

No, the maturity value (or par) should be used. This can be tricky for investments such as GNMA's that have multiple maturities.

What maturity date should be disclosed for my investment pools such as the IL Funds and IMET?

Obtain the weighted average maturity (WAM) of the pool from the pool sponsor. Typically, the WAM of these pools are less than one year and thus amounts can be reported as maturing in <1 year using the segmented time distribution method.