TEXAS RANGE



Does Your LGIP Follow GASB 79?

The last thing government finance officials want to worry about is the safety and liquidity of public funds invested in a local government investment pool (LGIP). The Governmental Accounting Standards Board (GASB) Statement 79[1] offers guidance for LGIPs that PFM Asset Management* (PFMAM) believes helps LGIPs as they seek to maintain safety of principal and provide adequate liquidity.

GASB 79, issued in 2015, incorporates robust guidance and accounting standards for LGIPs to qualify for electing to measure its investments at amortized cost from a financial reporting perspective.

An LGIP could opt not to adopt these standards and default to the fair value reporting standards in GASB 31[1]. All stable value LGIPs administered by PFMAM have adopted GASB 79.

GASB 79 Adherence Checklist

Maturity Requirements. All securities in the portfolio must have a maturity of 397 days or less. The portfolio's weighted average maturity must be 60 days or less, along with a weighted average life of 120 days or less.

Diversification. No more than 5% of the portfolio's assets are from a single issuer. U.S. government securities are exempt from this requirement.

Liquidity. At least 10% of the portfolio's assets must be in daily liquid assets, in addition to at least 30% being held in weekly liquid assets as those thresholds are defined in GASB 79. This is aimed at providing minimum daily and weekly liquidity under adverse market conditions.

Portfolio Quality. Securities must be rated in the highest category of short-term ratings.

** PFM Asset Management is a division of U.S. Bancorp Asset Management, Inc., Texas Range's investment adviser and administrator, that services public sector clients.*

1 Source: https://www.gasb.org/standards-and-guidance/pronouncements

How GASB 79 Can Help Focus on Investment Goals

For LGIPs, the primary goal is to seek to preserve the safety of principal and liquidity of funds in all rate environments, but especially during times of economic stress. Providing a competitive yield is also an important objective, but secondary to maintaining safety and providing liquidity.

Maintaining liquidity can allow the Texas Range Investment Program (Texas Range) to serve unexpected investor redemptions and supports its ability to maintain a stable net asset value (NAV).



Texas Range and GASB 79

The TexasDAILY and TexasDAILY Select portfolios aim to follow GASB 79 liquidity, maturity, quality and diversification requirements to help protect the portfolios and its investors during adverse market conditions. Conversely, portfolios that hold more credit may encounter additional liquidity risk when credit spreads widen during times of crisis.

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