OSRAP MEMORANDUM 14-25

TO: Fiscal Officers
All State Entities

FROM: Afranie Adomako, CPA
Director


GASB Statement No. 66 amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the General Fund and the Internal Service Fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, and Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.

This Statement also amends Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively.

GASB Statement No. 66 is effective for periods beginning after December 15, 2012. GASB Statement 66 can be found on GASB’s website at the following web address: http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391. You may contact Ms. Jennifer Williams at (225) 342-1095 or via email at Jennifer.Williams@la.gov with any questions regarding GASB Statement 66.