

Governmental Accounting Standards Board (GASB), Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues (GASB No. 48)

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues (GASB No. 48)*, provides reporting guidance when governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payment – generally, a single lump sum.

GASB No. 48 requires that all state agencies/departments to assess their continuing involvement with the receivables, or future revenues transferred, to determine whether the transaction qualifies to be reported as a sale or pledging (collateralized borrowing) of those receivables and future revenues.

Determination of a Sale or a Collateralized Borrowing:

GASB No. 48 establishes that a transaction is a collateralized borrowing *unless* it meets criteria that demonstrate that the government is no longer actively involved with the receivables or future revenues it has transferred to another party.

In a sale of receivables, a state agency/department receives or is entitled to the proceeds in exchange of receivables and its continuing involvement is effectively terminated with those receivables.

If *all* of the following conditions are met by the state agency/department, their continuing involvement is considered to be effectively terminated from the sale of the receivables:

- a. The transferor government does not have the ability to impose constraints on the transferee to subsequently sell or collateralize those receivables either through the transfer agreement or any other means.
- b. The transferor government does not have the option or ability to substitute for, or reacquire specific accounts from the receivables transferred to the transferee.
- c. The sale agreement is not cancellable by either party, including cancellation through payment of a lump sum or transfer of other assets or rights.
- d. The receivables and cash resulting from their collection have been isolated from the transferor government. (refer to GASB 48, para 7)

In a sale of future revenues, a state agency/department's continuing involvement with the sale of future revenues are effectively terminated if it meets *all* of the following conditions:

- a. The transferor government will not maintain an active involvement in the generation of those revenues. (refer to GASB 48, para 9)

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- b. The transferor does not have the ability to impose constraints on the transferee to subsequently sell or collateralize those future revenues either through the transfer agreement or any other means.
- c. Cash resulting from their collection has been isolated from the transferor government. (refer to GASB 48, para 8c)
- d. The contract agreement, or other arrangement between the original resources provide and the transferor government, does not prohibit the transfer or assignment of those resources.
- e. The sale agreement is not cancelable by either party including cancellation through payment of a lump sum or transfer of other assets or rights.

If your agency/department has determined it has transactions relating to GASB 48, please contact State Government Reporting Policy unit at (916) 445-5930 or email at darstatepolicy@sco.ca.gov for additional guidance.