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)
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.