April 10, 2018

Mr. David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Project No. 4-6I: Invitation to Comment: Revenue and Expense Recognition

Dear Mr. Bean:

On behalf of the State of Washington Office of Financial Management (OFM), I am pleased to offer the following responses to the questions posed in the Governmental Accounting Standards Board’s Invitation to Comment on the Revenue and Expense Recognition, Project No. 4-6I. OFM serves as the state’s controller, issuing all state accounting and reporting policies as well as the state’s Comprehensive Annual Financial Report. We appreciate the opportunity to provide comments.

Chapter 2: The Exchange/Nonexchange Model

2.1. Do you believe the exchange/nonexchange model would provide a suitable basis for classifying transactions and recognizing revenue and expense? Why or why not?

Yes, we believe that the exchange/nonexchange model would provide a suitable basis. The current exchange/nonexchange concepts are simple to apply. We are not having any trouble applying the current guidance. We do appreciate GASB’s goal to create a comprehensive model as it would expand and clarify the current guidance. In addition, we hope that it would be helpful to have the revenue and expense guidance consolidated under a single statement.

Chapter 3: The Performance Obligation/No Performance Obligation Model

3.1. Do you believe the performance obligation/no performance obligation model would provide a suitable basis for classifying transactions and recognizing revenue and expense? Why or why not?

No, we do not believe the performance obligation/no performance obligation model would provide a suitable basis for classifying transactions. This model does not provide any clarification from the current model for state governments since the majority of our transactions are nonexchange transactions. The model is designed more for transactions that are typical of or business-like transactions that are accounted for under the economic resources focus. This model would be difficult to apply to the governmental activities. In addition, it would be difficult for us to determine when there is a legally binding transaction.
In addition, it is confusing to provide the performance obligation/no performance obligation model and then to direct preparers to use Statement 33 nonexchange revenue principles if a transaction does not have a performance obligation model. We would have to understand and apply multiple concepts. It would be simpler to continue to use the exchange/nonexchange transactions.

Chapter 4: Alternative Models

4.1. Do you believe that the alternative model presented as an example in Chapter 4 could provide a suitable basis for classifying transactions and recognizing revenue and expense? If so, what are the potential benefits and challenges of that model?

No, we do not believe that the alternative model would provide a suitable basis. It would be difficult to apply this to the current resources focus. Like the performance obligation model, this model would be easy to apply to the business-like transactions, but would be very difficult to apply to the governmental activities that are accounted for under the current resources focus.

4.2. The models distinguish transactions on the basis of (a) exchange or nonexchange (b) a performance obligation or no performance obligation. Do you believe there is another alternative for distinguishing revenue and expense transactions? If so, please describe that alternative and explain why you believe it would be suitable.

We believe that it would be helpful if GASB could provide clarification on the exchange/nonexchange model. It would be more useful to have examples that would help clarify the standard. In addition, it would be simpler if the guidance was provided in a single statement.

We appreciate the opportunity to participate in the GASB's due process and thank the Board for considering our views. If you have any questions regarding this response, please contact me at (360) 725-0171.

Sincerely,

Brian Tinney
Assistant Director
Accounting Division