April 27, 2018

Mr. David 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

Dear Mr. Bean:

On behalf of the Division of Local Government and School Accountability within the New York State Comptroller's Office, we appreciate the opportunity to provide comments relative to the Governmental Accounting Standards Board’s Invitation to Comment on Revenue and Expense Recognition.

We reviewed each of the proposed recognition approaches from the perspective of our local governments. Overall, we believe that both the exchange/nonexchange model and the performance obligation/no performance obligation model would provide a suitable basis for classifying transactions and recognizing revenue and expenses. We believe that there are benefits and challenges to both models, and, at this point, we don’t feel strongly that the benefits of one outweigh the challenges of the other.

The exchange/nonexchange model is the most similar to how our local governments and school districts classify and recognize transactions currently. As a result, our local governments and school districts would be most familiar with the concepts and terminology contained in this model. In addition, we currently receive very few questions on the classification and/or recognition of revenues and expenses (related to the scope of this project). From this, it appears as though many of our local governments and school districts have an adequate understanding of the exchange/nonexchange model and minimal guidance would be needed for our local governments if this model was required by the GASB. The only additional guidance needed would be related to the recognition of exchange transactions.
The performance obligation/no performance obligation model would present new concepts and terminology that local government and school district officials would need to learn, understand and apply. As such, we would need to dedicate staff resources to developing comprehensive guidance to assist local government and school districts officials in applying these new concepts. However, we found that when we tried to apply the classification approaches from both proposed models to a few examples from our technical assistance log, it was much easier to classify revenue/expense transactions using the performance obligation/no performance obligation model rather than the exchange/nonexchange model. We believe that the detailed definitions provided in the performance obligation/no performance obligation model (binding arrangement, another party, distinct goods and services and a special beneficiary) were the contributing factor in the ease of determining classification. We believe that while this approach would result in a need for more guidance, the resulting guidance would be easier and simpler to follow and apply. As with any new guidance, we anticipate an increased amount of time providing technical assistance to internal and external customers.

In addition, we believe that the majority of the revenue/expense transactions for our local governments would be classified as either a nonexchange transaction or a transaction not containing a performance obligation. In both of these cases, the preexisting provisions of GASB Statement 33 would apply for recognition purposes so the overall impact of either model, at this point, would be minimal.

The alternative model suggested by the GASB in Chapter 4 uses the classification method from the exchange/nonexchange model and then the recognition method from the performance obligation/no performance obligation model. One of the main reasons we liked the performance obligation/no performance obligation model was because of the ease of classifying transactions using the detailed definitions provided and we would lose those in this alternative model. Ultimately, the alternative model would have the same impact as the exchange/nonexchange model. The only difference between them would be the type of recognition approach used for exchange transactions.

We feel both models present benefits and challenges, but ultimately both provide a suitable basis for classifying and recognizing revenue and expense transactions. We see no added benefit to the alternative model suggested and don’t have any additional suggestions for alternative models.

Thank you for this opportunity to comment on these issues affecting local governments in New York State. Should you have any questions regarding this response, please contact Dara Disko-McCagg at (518) 474-5505 or DDisko-McCagg@osc.ny.gov.

Sincerely,

[Signature]

Gabriel F. Deyo
Deputy Comptroller

cc: Dara Disko-McCagg