



Date February 5, 2021

Memorandum

To: Members of the Board

From: Melissa L. Batchelor

Through: Monica R. Valentine, Executive Director

Subject: *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31* Exposure Draft and Analysis of Comments Memo – **TAB D**¹

MEMBER ACTIONS REQUESTED:

Please review the materials and answer the questions on p.4 by February 16, 2021

MEETING OBJECTIVE

To consider the comment letters, staff analysis, and staff's recommendations on the proposed Interpretation *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31*.

BRIEFING MATERIAL

The briefing material includes this memorandum which provides the staff analysis of the comment letter responses and recommendations for updates to the proposed Interpretation *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31*. Staff's analysis and recommendation is intended to support your consideration of the comments and not to substitute for reading the individual letters. The briefing material also includes:

Table A: Question 1: Responses and Staff Notes

Attachment 1: Respondent Table of Content and Individual Comment Letters

Attachment 2: Original exposure draft with MARKED (suggested) edits

Attachment 3: Clean proposed Interpretation *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31*

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

You may electronically access all of the briefing material at <https://fasab.gov/projects/active-projects/Non-Federal-FBWT/>.

BACKGROUND

As part of the Technical Clarifications of Existing Standards (TCES) project, this sub-project resolves ambiguity regarding the presentation of non-federal non-entity Fund Balance with Treasury as it relates to paragraph 31 of SFFAS 1, *Accounting for Selected Assets and Liabilities*. A request for guidance was received from two stakeholders for clarifying guidance regarding how monies received in deposit funds from non-federal sources in anticipation of an order should be reported and presented on the financial statements when the non-entity funds are held in deposit in the General Fund of the U.S. Government. The Board agreed that an Interpretation would be the appropriate generally accepted accounting principles vehicle to address the issue. The proposed Interpretation was released for comment on October 29, 2020.

PHASE

This project is in the resolution and finalization phase (FI) where the Board deliberates on exposure drafts through comment letters, prepares pre-ballot revisions, and votes on final pronouncements.

STAFF ANALYSIS & RECOMMENDATIONS

SUMMARY OF OUTREACH EFFORTS

The exposure draft, *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31* was issued October 29, 2020 with comments requested by January 6, 2021.

Upon release of the ED, FASAB provided notices and press releases to the FASAB subscription email list, the Federal Register, *FASAB News*, the *Journal of Accountancy*, the Chief Financial Officers Council, the Council of the Inspectors General on Integrity and Efficiency, and committees of professional associations generally commenting on EDs in the past (for example, the Greater Washington Society of CPAs and the Association of Government Accountants Financial Management Standards Board). To encourage responses, a reminder notice was provided to our Listserv.

As of February 10, 2021, and received 16 responses from the following sources:

	FEDERAL	NON-FEDERAL
Users, academics, & others		2
Auditors		1
Preparers and financial managers	13	

The full text of the comment letters is provided as Attachment 1. Attachment 1 includes a table of contents and identifies respondents in the order their responses were received.

The comment letters appear as an attachment to facilitate compilation and pagination. However, staff encourages you to read the letters in their entirety before you read the staff analysis and recommendation for each question and other responses below.

The exposure draft proposed the following question to respondents:

1. Exposure Draft (ED) Question 1:

Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, paragraph 31 provides:

A federal entity's fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity's perspective, the reporting entity's FBWT is an asset because it represents the entity's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

a. Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.

In summary, staff determined the following from the comment letters:

- The majority of respondents (15 out of 16) generally agreed with the proposed guidance that non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity. Staff notes that no respondents disagreed with the proposal. One respondent noted that they had reviewed the ED and did not have comments to offer, there was unspecified agreement with the proposal.
- Although the respondents agreed with the proposal, two respondents suggested defining other non-federal non-entity FBWT and one respondent suggested providing examples. This was considered beyond the scope and purpose of the interpretation. If appropriate, the Board may consider in the Reexamination project.
- One respondent suggested further clarification in paragraph 6 by clarifying not all amounts received in deposit accounts are unearned revenue. Staff is agreeable with the proposed edit. Therefore, staff agreed with the suggested edit to paragraph 6 (added text underlined):

6. Federal reporting entities often receive amounts in advance from customers—both federal and non-federal—for unfilled orders including amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement process. Once received, the funds are deposited into the General Fund of the U.S. Government. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting (see par. 13 of SFFAS 31). It would be inconsistent to apply the phrase “other non-federal non-entity” to amounts received in deposit accounts from nonfederal sources for unfilled orders.

- Staff does not recommend any other technical changes to the proposed interpretation.

Questions for the Board:

1. **After reviewing the comment letters, staff analysis and the accompanying Table A (that includes a disposition of all comments) does the Board generally agree with the staff assessment?**
2. **Do Board members have any comments on the proposed Interpretation Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31? (Please note that this document has not been reviewed by FASAB’s communication specialist for grammar and consistency.)**
3. **Are Board members prepared to move forward to a pre-ballot version? Ballot version?**

NEXT STEPS:

Considering the majority of respondents supported the proposal, the next steps will depend on Board member feedback and results of the February Board meeting. If member feedback is consistent with respondents, staff believes a pre-ballot interpretation could be distributed electronically and a final ballot approved either before or at the April Board meeting. However, if members disagree then the document may require additional deliberation.

MEMBER FEEDBACK:

If you have any questions, comments, or wish to schedule a teleconference meeting to discuss, please contact Melissa L. Batchelor by email at batchelorm@fasab.gov with a cc to Ms. Valentine at valentinem@fasab.gov, by February 17, 2021.

Table A: Question 1: Responses and Staff Notes

EXPOSURE DRAFT QUESTION 1: SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

a. Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.

KEY: Agree, Disagree, Partial (agreement), NA (unspecified agreement or no answer)

Ref	Respondent	Agreement	Response	Staff Notes:
1	DOC	Agree	The Department agrees with the proposed interpretation that FBWT representing non-federal, non-entity unearned revenue should be reported as intragovernmental FBWT for component reporting entities of the federal government. The Department believes that the proposed interpretation effectively communicates that FBWT representing non-federal, non-entity unearned revenue does not qualify as fiduciary activity under SFFAS 31, <i>Accounting for Fiduciary Activities</i> .	Respondent was in agreement so there was no response required by staff.
2	EPA	NA	EPA officials in our financial reporting and financial policy areas reviewed the below referenced Exposure Draft and Interpretation. At this time, we have no comments to offer.	Although the respondent reviewed the ED and did not have comments to offer, there was unspecified agreement with the proposal.
3	HUD	Agree	The Department of Housing & Urban Development agrees with the clarification of non-federal non-entity FBWT Classification. At the Consolidated level, HUD's financial statements report certain non-entity FBWT, non-fiduciary, as intragovernmental. This information is included in HUD's Balance Sheet and is further discussed in HUD's Note (2) Non-Entity Assets and Note (3) Fund Balance with Treasury. OCFO Accounting believes that HUD is currently reporting and classifying this information accurately as intended in the proposed guidance. HUD OCFO's Office of Accounting believes however, the definition of fiduciary activities excludes unearned revenue. Deposits made for unfilled orders to federal agencies is considered a liability and should not be treated as a fiduciary activity. To aide in additional clarity, guidance should be provided distinctly in a separate paragraph to address treatment of "other non-federal non-entity" unearned revenue as related to unfilled orders	HUD was in general agreement. HUD suggested that FASAB consider other possible examples of non-federal non-entity. However, this would be outside of the scope of the proposed interpretation.

EXPOSURE DRAFT QUESTION 1: SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

a. **Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.**

KEY: **Agree, Disagree, Partial (agreement), NA (unspecified agreement or no answer)**

Ref	Respondent	Agreement	Response	Staff Notes:
			<p>and unearned revenue, it may be helpful for FASAB to include additional examples or other indications that unfilled orders is not the only possible non-entity activity which should be reported as an intragovernmental asset of the component reporting entity. The Office of Ginnie Mae (GNMA) agrees with the non-federal non-entity FBWT interpretation. The distinction that non-federal non-entity FBWT would not include items which are not comparable to fiduciary activities as defined in SFFAS 31 is a welcome clarification.</p> <p>GNMA's component entity financial statements currently report certain non-entity FBWT that is not fiduciary and is classified as intragovernmental. Specifically, it is included in the Balance Sheet, and further disclosed in Note (2) Non-Entity Assets and Note (3) FBWT.</p> <p>Note (2) Non-Entity Assets discloses that the intragovernmental FBWT is principally composed of non-entity unclaimed security holder payments, which are not available for use in GNMA's general operations. Unclaimed security holder payments represent money owed to mortgage-backed securities certificate holders that have not been claimed or where the certificate holder cannot be located. While these funds are not explicitly unearned revenue, they do share similar characteristics. Furthermore, these funds are classified as restricted non-entity assets maintained in the fund balance account for GNMA's liquidating fund and are included in Note (3) FBWT under Obligated Balance not yet Disbursed.</p> <p>The Office of Ginnie Mae believes that its existing financial reporting classification and presentation align with the intent of the proposed guidance.</p> <p>The Department of Housing & Urban Development appreciates FASAB's effort to clarify the definition and reporting for fiduciary amounts on deposits into the U.S. Treasury (Fund Balance with Treasury) account.</p>	
4	DHS	Agree	<p>The Department of Homeland Security agrees with the proposed guidance as it clarifies the classification and presentation of non-federal non-entity Fund Balance with Treasury. Per Statement of Federal Financial Accounting Standards (SFFAS) 31, unearned revenue</p>	Respondent was in agreement so there was

EXPOSURE DRAFT QUESTION 1: SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

a. **Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.**

KEY: **Agree, Disagree, Partial (agreement), NA (unspecified agreement or no answer)**

Ref	Respondent	Agreement	Response	Staff Notes:
			should not be reported as fiduciary activity and should be recognized as a liability in accordance with existing standards. Amounts received in deposit funds from a non-federal non-entity source in anticipation of an order (i.e. an advance) should be presented on the component entity financial statements as an intragovernmental asset since the component entity is directly providing a good or service to a non-federal non-entity; thus, an intragovernmental asset should be recognized on the component entity financial statements. In a fiduciary activity (e.g. Thrift Savings Plan), the component entity is not directly providing a good or service to a non-federal non-entity. Therefore, an intragovernmental asset should not be recognized on the component entity financial statements.	no response required by staff.
5	AGA-FMSB	Agree	We appreciate the FASAB's willingness to address this issue and agree that given the narrow scope of the question an interpretation is appropriate. The lack of a definition of "other non-Federal non-entity FBWT" allows for inconsistent accounting treatments and accentuates the need for this interpretation. Based on the information provided in paragraphs 3 through 6, we agree with the provisions of paragraph 7 that amounts received from non-federal non-entity sources for unfilled customer orders and deposited into the General Fund should be reported as an intergovernmental asset by the component reporting entity. We consider this statement as providing the needed clarification that should substantially eliminate inconsistent reporting.	Respondent was in agreement so there was no response required by staff.
6	SSA	Agree	We agree with the proposed guidance. We appreciate that it will clarify the Board's intentions in regards to the Fund Balance with Treasury (FBWT) language and assist stakeholders in avoiding confusion and disagreement. This Interpretation clarifies that the inclusion of "other non-Federal non entity FBWT" in Statement of Federal Financial Accounting Standards (SFFAS) 1 paragraph 31 provides for similar treatment of activities that were comparable with fiduciary activity, but does not include activities that were explicitly excluded as fiduciary activity, such as unearned revenues or advances received, as indicated in SFFAS 31 paragraph 13.	Respondent was in agreement so there was no response required by staff.

EXPOSURE DRAFT QUESTION 1: SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

a. **Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.**

KEY: **Agree, Disagree, Partial (agreement), NA (unspecified agreement or no answer)**

Ref	Respondent	Agreement	Response	Staff Notes:
7	NASA	Agree	Yes, NASA agrees with the proposed guidance. NASA's current process for such scenarios is as follows: if/when NASA receives advances from non-federal partners for work that will be performed in the subsequent fiscal year, NASA places the amount in the deposit fund for year-end financial reporting. This amount is included on NASA's Balance Sheet and corresponding Fund Balance with Treasury footnote as 'Non-Budgetary FBWT'. Since NASA's current process is in alignment for what the Board is clarifying, NASA concurs with the clarification provided in this exposure draft.	Respondent was in agreement so there was no response required by staff.
8	KPMG	Agree	We support the effort to clarify the existing standards regarding classification and presentation of non-federal non-entity Fund Balance with Treasury (FBWT) in SFFAS 1, paragraph 31. We agree with the clarification that amounts received for unfilled orders and deposited into the General Fund of the U.S. Government be reported as an intragovernmental asset by the component reporting entity. We agree with the Board that the phrase "other non-federal non-entity FBWT" contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. Although clarification was provided on the application to the specific account, the ED did not provide a definition of the phrase "other non-federal non-entity FBWT". While we understand that providing a definition was beyond the purpose on this interpretation, we believe that it would be a useful project to consider. Without a definition of the phrase, we are concerned that there could be inconsistency in the future in applying the phrase to other activities that are not specifically addressed in the ED. As indicated in paragraph 13 of SFFAS 31, not all amounts received in deposit accounts are unearned revenue. Therefore, we recommend the Board revise paragraph 6 as follows: (added text underlined) 6. Federal reporting entities often receive amounts in advance from customers—both federal and non-federal—for unfilled orders <u>including amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement</u> process. Once received, the funds are deposited into the General Fund of the U.S.	KPMG was in general agreement. Staff notes the respondent indicated that providing a definition was beyond the purpose on this interpretation, but believe that it would be a useful project to consider. Staff suggests this may be something considered further in the Reexamination project. The respondent also suggested clarifying paragraph 6 of the proposed interpretation clarify not all amounts received in deposit accounts are unearned revenue. Staff is agreeable

EXPOSURE DRAFT QUESTION 1: SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

a. **Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.**

KEY: **Agree, Disagree, Partial (agreement), NA (unspecified agreement or no answer)**

Ref	Respondent	Agreement	Response	Staff Notes:
			Government. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting (see par. 13 of SFFAS 31). It would be inconsistent to apply the phrase "other non-federal non-entity" to amounts received in deposit accounts from nonfederal sources for unfilled orders.	with the proposed edit and recommends.
9	DoD	Agree	<p>We agree with the proposed guidance. DoD has implemented the recognition criteria of SFFAS No. 1, "Accounting for Selected Assets and Liabilities," to report advances and prepayments. DoD's other assets include advances and prepayments permitted by law, legislative action, or presidential authorization as mandated by Title 31, U.S.C 3324. When advances are permitted by law, legislative action, or presidential authorization, DoD's policy is to record advances or prepayments in accordance with U.S. GAAP. As such, payments made in advance of the receipt of goods and services are reported as an asset on the Balance Sheet.</p> <ul style="list-style-type: none"> •The Department's presentation, as promulgated by the Office of Management and Budget (OMB) Circular A-136 "Financial Reporting Requirements," section II.3.2.3 Assets, states that non-fiduciary deposit funds controlled by the Government and the FBWT should be reported as "intragovernmental." Examples provided by OMB Circular A-136 include deposit funds that are used to hold unpaid payroll withholdings, unearned revenues, and certain collections that may be distributed to non-federal parties after further research or legal or agency judgment. •OMB Circular A-11 "Preparation, Submission, and Execution of the Budget," Part 1, Section 20 "Terms and concepts" defines advances as amounts of money prepaid to a Federal Government account for the later receipt of goods, services, or other assets, or as matching funds. Furthermore, when an advance is required, the order's budgetary resource is equal to the cash accompanying the order. The advance, per se, is not available for obligation. If both the order and the advance were available for obligation, budgetary resources would be double-counted. OMB Circular A-11 requires deposit 	Respondent was in agreement so there was no response required by staff.

EXPOSURE DRAFT QUESTION 1: SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

a. **Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.**

KEY: **Agree, Disagree, Partial (agreement), NA (unspecified agreement or no answer)**

Ref	Respondent	Agreement	Response	Staff Notes:
			<p>advances with orders to be recorded in the appropriate appropriation/fund or receipt account. Lastly, deposit advances without orders in advance from a non-Federal source should be recorded in the deposit fund account (6500).</p> <p>In conclusion, although this exposure draft does not define the phrase "other non-federal non-entity FBWT," it is consistent with DoD's current application of advances from non-federal non-entity sources.</p>	
10	DOI	Agree	<p>Interior Bureau/Office responses:</p> <p>OSM: We agree based on the clarification on non-federal non-entity FBWT with respect to the qualifications of fiduciary activity reporting per SFFAS 31.</p> <p>NPS: NPS agrees. Current accounting practice is consistent with the proposed interpretation.</p> <p>BOEM/BSEE: BOEM and BSEE agree FBWT amounts in deposit funds for unfilled orders should be reported as an intragovernmental asset of the component reporting entity because the cash/funding is for future governmental expenditures for unfilled orders, in which revenue will be recorded once the unfilled orders become filled orders.</p> <p>IA: Agree- The proposed Interpretation provides clarity and ensures consistent reporting of intragovernmental assets.</p> <p>BOR: Reclamation agrees with the proposed guidance. SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. The recording of unfilled orders is appropriately addressed in SFFAS 1 and SFFAS 7.</p> <p>USGS: Does not apply.</p>	<p>DOI was in general agreement. Staff notes there were 10 offices reporting and all but two, noted agreement. Once office noted "does not apply" and another stated that the interpretation may cause confusion for entities with fiduciary activity, but staff does not view this as an issue. SFFAS 31 par. 13 of SFFAS 31 provides: "Unearned revenue should not be reported as fiduciary activity and should be recognized as a liability in accordance with existing standards. Assets collected or received by a Federal entity that</p>

EXPOSURE DRAFT QUESTION 1: SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

a. **Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.**

KEY: **Agree, Disagree, Partial (agreement), NA (unspecified agreement or no answer)**

Ref	Respondent	Agreement	Response	Staff Notes:
			<p>DO: Agree. Since the addition of the phrase "other non-federal non-entity FBWT" was added with the amendment by SFFAS 31, <i>Accounting for Fiduciary Activities</i> it can be logically assumed that it was intended to provide for similar treatment of activities that are comparable with fiduciary activity that has not been identified specifically in SFFAS 31.</p> <p>BLM: Agrees.</p> <p>Reporting Division: The clarification may cause further confusion for entities with fiduciary activity. Perhaps adding a statement to clarify for entities with fiduciary activity, that if advances/unearned revenue related FBWT is related to fiduciary activity (and therefore reported in fiduciary reporting entity TAS's), the activity would continue to be reported as fiduciary, regardless of whether it is earned or unearned FBWT. This clarification guidance DOES NOT mean to suggest that fiduciary related activity that is unearned or advanced should be reclassified and reported in the component entity's reporting.</p> <p>FWS: FWS agrees with the proposed guidance, primarily based upon the concerns and potential for inconsistent application relative to the reporting unearned revenues; as described in the exposure draft.</p>	represent prepayments or advance payments for which the Federal component entity is expected to provide goods or services should not be classified as fiduciary activity. This exclusion applies broadly and applies to amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement process, even if these amounts are not specifically classified as "unearned revenue" by the entity due to uncertainty about the ultimate realization of the revenue."
11	DOE	Agree	DOE believes the clarification of SFFAS 1, Paragraph 31 proposed in this exposure draft is consistent with the Department's current methodology for financial reporting.	Respondent was in agreement so there was no response required by staff.
12	NSA	Agree	Yes, you can use this email as agreement with the Interpretation from NSA.	Respondent was in agreement so there was

EXPOSURE DRAFT QUESTION 1: SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

a. **Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.**

KEY: **Agree, Disagree, Partial (agreement), NA (unspecified agreement or no answer)**

Ref	Respondent	Agreement	Response	Staff Notes:
			I have no other comments on the draft Interpretation besides the comments I submitted for the initial draft in July. I attached for your reference. I believe most of the proposed changes were already made. Thank you so much for facilitating this through the process.	no response required by staff.
13	NGA	Agree	NGA concurs and has no further comments on the draft Interpretation.	Respondent was in agreement so there was no response required by staff.
14	GWSCPA-FISC	Agree	The FISC generally agrees that the proposed guidance clarifies that non-federal non-entity amounts received for unfilled orders that are reflected in Fund Balance with Treasury (FBWT) should be reported as an intragovernmental asset of the component reporting entity. The FISC recommends that the Board also provides a definition and further guidance on what would be considered "other non-federal non-entity FBWT", as referred to in the Statement of Federal Financial Accounting Standards 1, Accounting for Selected Assets and Liabilities (SFFAS No. 1). Without a clear definition and the specific guidance, reporting entities may not consistently report FBWT in their financial statements. The term "Treasury component" used in paragraph 31 of SFFAS No. 1 needs to be defined to clarify which entities are referred to in the last sentence.	GWSCPA FISC was in general agreement. FISC suggested that the Board provide a definition and guidance on what would be considered "other non-federal non-entity FBWT." However, this would be outside of the scope of the proposed interpretation.
15	Treasury	Agree	We agree with the proposed guidance which clarifies that "other non-federal, non-entity FBWT" is not intended to pertain to unearned revenue. The non-federal non-entity funds received for unfilled orders are to be used at the discretion of the entity for completing future projects and should be reported as an intragovernmental asset of the entity.	Respondent was in agreement so there was no response required by staff.
16	HHS	Agree	HHS agrees with the Board's efforts to clarify "other non-federal non-entity FBWT" in order to avoid any confusion.	Respondent was in agreement so there was no response required by staff.
17				

THIS PAGE INTENTIONALLY LEFT BLANK

Attachment 1: Respondent Table of Content and Individual Comment Letters

Table of Contents

Number	Respondent	Page Number
1	Department of Commerce	1
2	Environmental Protection Agency	3
3	Department of Housing and Urban Development	4
4	Department of Homeland Security	7
5	Association of Government Accountants	9
6	Social Security Administration	11
7	National Aeronautics and Space Administration	13
8	KPMG LLP	14
9	Department of Defense	15
10	Department of the Interior	20
11	Department of Energy	23
12	NSA	25
13	NGA	26
14	Greater Washington Society of Certified Public Accountants	27
15	Department of the Treasury	29
16	Department of Health and Human Services	31

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: _____
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: _____
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

Q1. Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, paragraph 31 provides:

A federal entity’s fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity’s accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity’s perspective, the reporting entity’s FBWT is an asset because it represents the entity’s claim to the federal government’s resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

- a. **Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.**

Department of Commerce Response:

The Department agrees with the proposed interpretation that FBWT representing non-federal, non-entity unearned revenue should be reported as intragovernmental FBWT for component reporting entities of the federal government. The Department believes that the proposed interpretation effectively communicates that FBWT representing non-federal, non-entity unearned revenue does not qualify as fiduciary activity under SFFAS 31, *Accounting for Fiduciary Activities*.

From: Osborne, Christopher <Osborne.Christopher@epa.gov>

Sent: Tuesday, December 15, 2020 9:08 AM

To: Batchelor, Melissa L <BatchelorM@fasab.gov>

Cc: Lavergne, Dany <lavergne.dany@epa.gov>; Atcherson, Aileen <Atcherson.Aileen@epa.gov>; Bundy-Evans, Kyana <Bundy-Evans.Kyana@epa.gov>

Subject: EPA Comments...FW: FASAB Issues ED to Clarify Non-federal Non-entity FBWT Classification

Melissa:

EPA officials in our financial reporting and financial policy areas reviewed the below referenced Exposure Draft and Interpretation. At this time, we have no comments to offer.

Thank you.....

Christopher S. Osborne, CPA
Senior Financial Adviser
Office of the Controller
Desk Phone 202 564 5070
Cell Phone: 202 510 1486
Fax: 202 565 3084

Mailing Address:
Environmental Protection Agency
1200 Pennsylvania Ave., NW
Room 81214
Ronald Reagan Building. MC 2733R
Washington, DC 10460



*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input checked="" type="checkbox"/>	If other, please specify: Department of Housing and Urban Development
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: _____
Individual	<input type="checkbox"/>	

Please provide your name.

Name: N/A

Please identify your organization, if applicable.

Organization: Department of Housing and Urban Development

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

Q1. Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, paragraph 31 provides:

A federal entity’s fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity’s accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity’s perspective, the reporting entity’s FBWT is an asset because it represents the entity’s claim to the federal government’s resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

- a. **Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.**

The Department of Housing & Urban Development agrees with the clarification of non-federal non-entity FBWT Classification. At the Consolidated level, HUD's financial statements report certain non-entity FBWT, non-fiduciary, as intragovernmental. This information is included in HUD's Balance Sheet and is further discussed in HUD's Note (2) Non-Entity Assets and Note (3) Fund Balance with Treasury. OCFO Accounting believes that HUD is currently reporting and classifying this information accurately as intended in the proposed guidance.

HUD OCFO's Office of Accounting believes however, the definition of fiduciary activities excludes unearned revenue. Deposits made for unfilled orders to federal agencies is considered a liability and should not be treated as a fiduciary activity. To aide in additional clarity, guidance should be provided distinctly in a separate paragraph to address treatment of "other non-federal non-entity" unearned revenue as related to unfilled orders and unearned revenue, it may be helpful for FASAB to include additional examples or other indications that unfilled orders is not the only possible non-entity activity which should be reported as an intragovernmental asset of the component reporting entity.

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

The Office of Ginnie Mae (GNMA) agrees with the non-federal non-entity FBWT interpretation. The distinction that non-federal non-entity FBWT would not include items which are not comparable to fiduciary activities as defined in SFFAS 31 is a welcome clarification.

GNMA's component entity financial statements currently report certain non-entity FBWT that is not fiduciary and is classified as intragovernmental. Specifically, it is included in the Balance Sheet, and further disclosed in Note (2) Non-Entity Assets and Note (3) FBWT.

Note (2) Non-Entity Assets discloses that the intragovernmental FBWT is principally composed of non-entity unclaimed security holder payments, which are not available for use in GNMA's general operations. Unclaimed security holder payments represent money owed to mortgage-backed securities certificate holders that have not been claimed or where the certificate holder cannot be located. While these funds are not explicitly unearned revenue, they do share similar characteristics. Furthermore, these funds are classified as restricted non-entity assets maintained in the fund balance account for GNMA's liquidating fund and are included in Note (3) FBWT under Obligated Balance not yet Disbursed.

The Office of Ginnie Mae believes that its existing financial reporting classification and presentation align with the intent of the proposed guidance.

The Department of Housing & Urban Development appreciates FASAB's effort to clarify the definition and reporting for fiduciary amounts on deposits into the U.S. Treasury (Fund Balance with Treasury) account.

Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: _____
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: _____
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

Q1. Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, paragraph 31 provides:

A federal entity’s fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity’s accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity’s perspective, the reporting entity’s FBWT is an asset because it represents the entity’s claim to the federal government’s resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

- a. Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.

DHS Response: The Department of Homeland Security agrees with the proposed guidance as it clarifies the classification and presentation of non-federal non-entity Fund Balance with Treasury. Per Statement of Federal Financial Accounting Standards (SFFAS) 31, unearned revenue should not be reported as fiduciary activity and should be recognized as a liability in accordance with existing standards. Amounts received in deposit funds from a non-federal non-entity source in anticipation of an order (i.e. an advance) should be presented on the component entity financial statements as an intragovernmental asset since the component entity is directly providing a good or service to a non-federal non-entity; thus, an intragovernmental asset should be recognized on the component entity financial statements. In a fiduciary activity (e.g. Thrift Savings Plan), the component entity is not directly providing a good or service to a non-federal non-entity. Therefore, an intragovernmental asset should not be recognized on the component entity financial statements.

December 18, 2020

Mr. George A. Scott, Chair
Federal Accounting Standards Advisory Board
441 G Street NW
Suite 1155
Washington, DC 20548

Via email to fasab@fasab.gov

Dear Mr. Scott:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Federal Accounting Standards Advisory Board (FASAB) on its October 29, 2020 exposure draft (ED) of an interpretation of federal financial accounting standards entitled Clarification of Non-Federal Non-Entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31.

We appreciate the FASAB's willingness to address this issue and agree that given the narrow scope of the question an interpretation is appropriate. The lack of a definition of "other non-Federal non-entity FBWT" allows for inconsistent accounting treatments and accentuates the need for this interpretation. Based on the information provided in paragraphs 3 through 6, we agree with the provisions of paragraph 7 that amounts received from non-federal non-entity sources for unfilled customer orders and deposited into the General Fund should be reported as an intergovernmental asset by the component reporting entity. We consider this statement as providing the needed clarification that should substantially eliminate inconsistent reporting.

If there are any questions regarding the comments in this letter, please contact me at (517) 334-8069.

Sincerely,



Craig M. Murray, CGFM, CPA, CIA
Chair, Financial Management Standards Board

cc: Wendy Morton-Huddleston, CGFM, PMP, AGA National President

Association of Government Accountants
Financial Management Standards Board
July 2020 – June 2021

Craig Murray, Chair
Scott DeViney, Vice Chair
Crystal Allen
David Arvin
Orinda Basha
Eric Berman
Gerry Boaz
Jean Dalton
James Davis
Jim Dawson
Richard Fontenrose
Christopher Goeman
Simcha Kuritzky
Lealan Miller
Mickey Moreno
Brian Mosier
Masoud Najmabadi
Mark Reger
Anthony Scardino
Sharron Walker
Kawoanna Wiggins
Brittney Williams
Ann Ebberts, CEO, AGA
Susan Fritzlen, COO, AGA

Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: _____
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: _____
Individual	<input type="checkbox"/>	

Please provide your name.

Name: Joanne Gasparini, Deputy Chief Financial Officer

Please identify your organization, if applicable.

Organization: Social Security Administration (SSA)

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

Q1. Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, paragraph 31 provides:

A federal entity’s fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity’s accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity’s perspective, the reporting entity’s FBWT is an asset because it represents the entity’s claim to the federal government’s resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities’ FBWT. While making this distinction, the amendment added

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

the phrase “other non-federal non-entity FBWT.” The Board acknowledges that the amendments did not define the phrase “other non-federal non-entity FBWT” and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase “other non-federal non-entity FBWT” was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase “other non-federal non-entity” to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

- a. Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.**

SSA Response: We agree with the proposed guidance. We appreciate that it will clarify the Board’s intentions in regards to the Fund Balance with Treasury (FBWT) language and assist stakeholders in avoiding confusion and disagreement.

This Interpretation clarifies that the inclusion of “other non-Federal non entity FBWT” in Statement of Federal Financial Accounting Standards (SFFAS) 1 paragraph 31 provides for similar treatment of activities that were comparable with fiduciary activity, but does not include activities that were explicitly excluded as fiduciary activity, such as unearned revenues or advances received, as indicated in SFFAS 31 paragraph 13.



National Aeronautics and Space Administration
Headquarters, Office of the Chief Financial Officer
Washington, D.C. 20546-0001

DATE: December 21, 2020

TO: FASAB (fasab@fasab.gov)

FROM: Ryan Willing, Chief, Financial Policy & Compliance (Finance)

SUBJECT: NASA Response to FASAB Exposure Draft Clarification of Non-Federal Entity FBWT Classification (SFFAS 1 Paragraph 31)

Background

FASAB issued the subject Exposure Draft to provide clarification that “non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.” FASAB has requested NASA’s comments and response to this document.

FASAB Question for Respondents

Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.

NASA Financial Management Division Response

Yes, NASA agrees with the proposed guidance.

NASA’s current process for such scenarios is as follows: if/when NASA receives advances from non-federal partners for work that will be performed in the subsequent fiscal year, NASA places the amount in the deposit fund for year-end financial reporting. This amount is included on NASA’s Balance Sheet and corresponding Fund Balance with Treasury footnote as ‘Non-Budgetary FBWT’.

Note 2: Fund Balance with Treasury

The status of Fund Balance with Treasury (FBWT) represents the total fund balance recorded in the general ledger for unobligated and obligated balances. Unobligated balances — available is the amount remaining in appropriated funds available for obligation. Unobligated balances — unavailable is primarily comprised of amounts remaining in appropriated funds used only for adjustments to previously recorded obligations. Obligated balance not yet disbursed is the cumulative amount of obligations incurred for which outlays have not been made. Non-Budgetary FBWT is comprised of amounts in non-appropriated funds. The increase in Non-Budgetary FBWT is primarily due to a legal settlement check received in the amount of \$19 million.

(In Millions)	2020	2019
Status of Fund Balances with Treasury:		
Unobligated Balances		
Available	\$ 2,286	\$ 2,271
Unavailable	154	113
Obligated Balance not yet Disbursed	12,441	11,442
Non-Budgetary FBWT	33	21
Total	\$ 14,914	\$ 13,847

Since NASA’s current process is in alignment for what the Board is clarifying, NASA concurs with the clarification provided in this exposure draft.

December 21, 2021

Mr. George A. Scott
Chair
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 1155
Washington, DC 20548

RE: *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31*

Dear Mr. Scott:

We appreciate the opportunity to respond to the proposed *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31* (the exposure draft or ED). We support the effort to clarify the existing standards regarding classification and presentation of non-federal non-entity Fund Balance with Treasury (FBWT) in SFFAS 1, paragraph 31. We agree with the clarification that amounts received for unfilled orders and deposited into the General Fund of the U.S. Government be reported as an intragovernmental asset by the component reporting entity.

We agree with the Board that the phrase “other non-federal non-entity FBWT” contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. Although clarification was provided on the application to the specific account, the ED did not provide a definition of the phrase “other non-federal non-entity FBWT”. While we understand that providing a definition was beyond the purpose on this interpretation, we believe that it would be a useful project to consider. Without a definition of the phrase, we are concerned that there could be inconsistency in the future in applying the phrase to other activities that are not specifically addressed in the ED.

As indicated in paragraph 13 of SFFAS 31, not all amounts received in deposit accounts are unearned revenue. Therefore, we recommend the Board revise paragraph 6 as follows: (added text underlined)

6. Federal reporting entities often receive amounts in advance from customers—both federal and non-federal—for unfilled orders including amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement process. Once received, the funds are deposited into the General Fund of the U.S. Government. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting (see par. 13 of SFFAS 31). It would be inconsistent to apply the phrase “other non-federal non-entity” to amounts received in deposit accounts from nonfederal sources for unfilled orders.

If you have questions about our response, please contact Ms. Amanda Nelson at 202-533-5560 or aenelson@kpmg.com.

Sincerely,



KPMG LLP



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE**1 100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100**

December 14, 2020

Monica R. Valentine
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 1155
Washington, DC 20548

Dear Ms. Valentine:

The Department of Defense is pleased to submit the enclosed comments on the Federal Accounting Standards Advisory Board (FASAB) Exposure Draft (ED) of the proposed interpretation of Statement of Federal Financial Accounting Standards (SFFAS) 1, "Accounting for Selected Assets and Liabilities," as amended by SFFAS 31, "Accounting for Fiduciary Activities." The Department agrees with the proposed ED. A detailed response to FASAB's question and supporting details are provided in the enclosure.

Thank you for considering the Department's contribution.

Sincerely,

Douglas A. Glenn
Assistant Deputy Chief Financial Officer

Enclosure:
As stated

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: _____
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: _____
Individual	<input type="checkbox"/>	

Please provide your name.

Name: Douglas A. Glenn, Assistant Deputy Chief Financial Officer
Office of the Under Secretary of Defense (Comptroller)

Please identify your organization, if applicable.

Organization: Department of Defense (DoD)

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

Q1. Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, paragraph 31 provides:

A federal entity’s fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity’s accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity’s perspective, the reporting entity’s FBWT is an asset because it represents the entity’s claim to the federal government’s resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.

DoD Response: Agree. We agree with the proposed guidance. DoD has implemented the recognition criteria of SFFAS No. 1, "Accounting for Selected Assets and Liabilities," to report advances and prepayments. DoD's other assets include advances and prepayments permitted by law, legislative action, or presidential authorization as mandated by Title 31, U.S.C 3324. When advances are permitted by law, legislative action, or presidential authorization, DoD's policy is to record advances or prepayments in accordance with U.S. GAAP. As such, payments made in advance of the receipt of goods and services are reported as an asset on the Balance Sheet.

- The Department's presentation, as promulgated by the Office of Management and Budget (OMB) Circular A-136 "*Financial Reporting Requirements*," section II.3.2.3 Assets, states that non-fiduciary deposit funds controlled by the Government and the FBWT should be reported as "intragovernmental." Examples provided by OMB Circular A-136 include deposit funds that are used to hold unpaid payroll withholdings, unearned revenues, and certain collections that may be distributed to non-federal parties after further research or legal or agency judgment.
- OMB Circular A-11 "*Preparation, Submission, and Execution of the Budget*," Part 1, Section 20 "Terms and concepts" defines advances as amounts of money prepaid to a Federal Government account for the later receipt of goods, services, or other assets, or as matching funds. Furthermore, when an advance is required, the order's budgetary resource is equal to the cash accompanying the order. The advance, per se, is not available for obligation. If both the order and the advance were available for obligation, budgetary resources would be double-counted. OMB Circular A-11 requires deposit advances with orders to be recorded in

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

the appropriate appropriation/fund or receipt account. Lastly, deposit advances without orders in advance from a non-Federal source should be recorded in the deposit fund account (6500).

In conclusion, although this exposure draft does not define the phrase “other non-federal non-entity FBWT,” it is consistent with DoD’s current application of advances from non-federal non-entity sources.

Additional Guidance to Support DoD Conclusion

SFFAS 1 “Accounting for Selected Assets and Liabilities”

- Paragraph 60 states, advances and prepayments paid out by an entity are assets of the entity. ***On the other hand, advances and prepayments received by an entity are liabilities of the entity (see the recommended standard for other current liabilities).*** In financial reports of an entity, advances and prepayments the entity paid out (assets) should not be netted against advances and prepayments that the entity received (liabilities).
- Paragraph 61 states, advances and prepayments made to federal entities ***are intragovernmental*** items and should be accounted for and reported separately from those made to nonfederal entities.

SFFAS 7 “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting”

- Paragraph 37, states “When advance fees or payments are received, such as for large-scale, long-term projects, revenue should not be recognized until costs are incurred from providing the goods and services (regardless of whether the fee or payment is refundable). An increase in cash and an increase in liabilities, such as “unearned revenue,” should be recorded when the cash is received. ***“Unearned revenue”*** should also be recorded if an agency requests advances or progress payments prior to the receipt of cash and records the amount.
- Paragraph 50 states, “Cash collections should be based on amounts actually received during the fiscal period, including withholdings, estimated payments, final payments, and collections of receivables. Cash collections include any amounts paid in advance of due dates unless they are deposits.”

SFFAS 31 “Accounting for Fiduciary Activities”

Paragraph 31, ***Exclusions***

The following are excluded from the reporting requirements for fiduciary activities, and should be recognized in the principal financial statements of the Federal component entity and not in the fiduciary note disclosure:

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

- Amounts related to unpaid¹ **payroll withholdings** and **garnishments**² are excluded from the reporting requirements of this standard. Liabilities for unpaid payroll withholdings and garnishments should be recognized as accounts payable in accordance with existing standards.³
- **Unearned revenue** should not be reported as fiduciary activity and should be recognized as a liability in accordance with existing standards.⁴ Assets collected or received by a Federal entity that represent prepayments or advance payments for which the Federal component entity is expected to provide goods or services should not be classified as fiduciary activity. *This exclusion applies broadly and applies to amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement process, even if these amounts are not specifically classified as “unearned revenue” by the entity due to uncertainty about the ultimate realization of the revenue.*

¹ Unpaid” means that amounts withheld or garnished have not been paid to the designated recipient of the amounts withheld or garnished.

² Examples of garnishments include amounts withheld from an individual’s salary or tax refund for payments of child support or to another third party in compliance with a statute or court order.

³ See SFFAS 1, Accounting for Selected Assets and Liabilities, paragraphs 74-86.

⁴ See SFFAS 1, paragraph 85 and SFFAS 7, Accounting for Revenue and Other Financing Sources, paragraph 37.

Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input checked="" type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: _____
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: _____
Individual	<input type="checkbox"/>	

Please provide your name.

Name: Monica Taylor Lane

Please identify your organization, if applicable.

Organization: Department of the Interior

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

Q1. Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, paragraph 31 provides:

A federal entity's fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity's perspective, the reporting entity's FBWT is an asset because it represents the entity's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

- a. Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.**

Interior Bureau/Office responses:

OSM: We agree based on the clarification on non-federal non-entity FBWT with respect to the qualifications of fiduciary activity reporting per SFFAS 31.

NPS: NPS agrees. Current accounting practice is consistent with the proposed interpretation.

BOEM/BSEE: BOEM and BSEE agree FBWT amounts in deposit funds for unfilled orders should be reported as an intragovernmental asset of the component reporting entity because the cash/funding is for future governmental expenditures for unfilled orders, in which revenue will be recorded once the unfilled orders become filled orders.

IA: Agree- The proposed Interpretation provides clarity and ensures consistent reporting of intragovernmental assets.

BOR: Reclamation agrees with the proposed guidance. SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. The recording of unfilled orders is appropriately addressed in SFFAS 1 and SFFAS 7.

USGS: Does not apply.

DO: Agree. Since the addition of the phrase "other non-federal non-entity FBWT" was added with the amendment by SFFAS 31, *Accounting for Fiduciary Activities* it can be logically

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

assumed that it was intended to provide for similar treatment of activities that are comparable with fiduciary activity that has not been identified specifically in SFFAS 31.

BLM: Agrees.

Reporting Division: The clarification may cause further confusion for entities with fiduciary activity. Perhaps adding a statement to clarify for entities with fiduciary activity, that if advances/unearned revenue related FBWT is related to fiduciary activity (and therefore reported in fiduciary reporting entity TAS's), the activity would continue to be reported as fiduciary, regardless of whether it is earned or unearned FBWT. This clarification guidance DOES NOT mean to suggest that fiduciary related activity that is unearned or advanced should be reclassified and reported in the component entity's reporting.

FWS: FWS agrees with the proposed guidance, primarily based upon the concerns and potential for inconsistent application relative to the reporting unearned revenues; as described in the exposure draft.



Department of Energy

Washington, DC 20585

January 4, 2021

MEMORANDUM FOR THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

FROM Karin Dasuki **Karin Dasuki** Digitally signed by Karin Dasuki
Date: 2020.12.31 09:09:47 -05'00'

Director, Office of Finance and Accounting
Department of Energy, Office of the Chief Financial Officer

Thomas Griffin **Thomas P. Griffin** Digitally signed by Thomas P. Griffin
Date: 2021.01.05 17:26:56 -05'00'

Director, Office of Financial Policy and Audit Resolution
Department of Energy, Office of the Chief Financial Officer

SUBJECT Federal Accounting Standards Advisory Board Exposure Draft:
Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31

The Department of Energy (DOE) appreciates the opportunity to respond to the question in the Federal Accounting Standards Advisory Board's (FASAB) Exposure Draft: *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31*.

Q1. SFFAS 1, paragraph 31 was amended by SFFAS 31, Accounting for Fiduciary Activities, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.

DOE Response

Agree. DOE believes the clarification of SFFAS 1, Paragraph 31 proposed in this exposure draft is consistent with the Department's current methodology for financial reporting.

If you have any questions about the response, please contact Tynesha Douglass at (202) 586-6144.

Subject: RE: ED to Clarify Non-federal Non-entity FBWT Classification - Comment Deadline
1/6/21

Melissa,

Yes, you can use this email as agreement with the Interpretation from NSA.

Subject: RE: ED to Clarify Non-federal Non-entity FBWT Classification - Comment Deadline
1/6/21

Importance: High

Hi Melissa,

Good morning. Happy New year. I have no other comments on the draft Interpretation besides the comments I submitted for the initial draft in July. I attached for your reference. I believe most of the proposed changes were already made.

Thank you so much for facilitating this through the process. We appreciate it. We look forward to the final Interpretation in 2021!! ☐

Subject: RE: ED to Clarify Non-federal Non-entity FBWT Classification - Comment Deadline
1/6/21

Classification: UNCLASSIFIED

=====

Hi Melissa,

NGA concurs and has no further comments on the draft Interpretation.



January 6, 2021

Monica R. Valentine, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 1155
Washington, DC 20548

Dear Ms. Valentine:

The Greater Washington Society of Certified Public Accountants (GWSCPA) Federal Issues and Standards Committee (FISC) appreciates the opportunity to provide comments on the Federal Accounting Standards Advisory Board (FASAB) Exposure Draft (ED) Interpretation, *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31*.

The GWSCPA consists of approximately 3,300 members, and the FISC includes nearly 20 GWSCPA members who are active in financial management, accounting, and auditing in the Federal sector. We sincerely appreciate the opportunity by the Board to share our views.

Our responses to the ED questions are included below.

Q1. Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, paragraph 31 provides:

A federal entity's fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity's perspective, the reporting entity's FBWT is an asset because it represents the entity's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-

federal non-entity FBWT” and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase “other non-federal non-entity FBWT” was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase “other non-federal non-entity” to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

a. Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.

A1. The FISC generally agrees that the proposed guidance clarifies that non-federal non-entity amounts received for unfilled orders that are reflected in Fund Balance with Treasury (FBWT) should be reported as an intragovernmental asset of the component reporting entity. The FISC recommends that the Board also provides a definition and further guidance on what would be considered “other non-federal non-entity FBWT”, as referred to in the Statement of Federal Financial Accounting Standards 1, *Accounting for Selected Assets and Liabilities* (SFFAS No. 1). Without a clear definition and the specific guidance, reporting entities may not consistently report FBWT in their financial statements.

Additional Comment:

The term “Treasury component” used in paragraph 31 of SFFAS No. 1 needs to be defined to clarify which entities are referred to in the last sentence.

This comment letter was reviewed by the members of FISC, and represents the consensus views of our members.

Very truly yours,

Sherif R. Ettefa
FISC Chair

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input checked="" type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: _____
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: _____
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

Q1. Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, paragraph 31 provides:

A federal entity’s fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity’s accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity’s perspective, the reporting entity’s FBWT is an asset because it represents the entity’s claim to the federal government’s resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

- a. Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.**

We agree with the proposed guidance which clarifies that "other non-federal, non-entity FBWT" is not intended to pertain to unearned revenue. The non-federal non-entity funds received for unfilled orders are to be used at the discretion of the entity for completing future projects and should be reported as an intragovernmental asset of the entity.

Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: _____
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: _____
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

Q1. Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, paragraph 31 provides:

A federal entity’s fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity’s accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity’s perspective, the reporting entity’s FBWT is an asset because it represents the entity’s claim to the federal government’s resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts

*Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31):
An Interpretation of SFFAS 1 and SFFAS 31*

on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Board acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. The proposed Interpretation would clarify the classification by explaining the inclusion of the phrase "other non-federal non-entity FBWT" was intended to provide for similar treatment of activities that are comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. The Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders. Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

- a. Do you agree or disagree with the proposed guidance? Please provide the rationale for your answer.

HHS Response: HHS agrees with the Board's efforts to clarify "other non-federal non-entity FBWT" in order to avoid any confusion.

Attachment 2: Original exposure draft with MARKED (suggested) edits



Federal Accounting Standards Advisory Board

CLARIFICATION OF NON-FEDERAL
NON-ENTITY FBWT CLASSIFICATION
(SFFAS 1, PARAGRAPH 31):
AN INTERPRETATION OF SFFAS 1 AND SFFAS 31

Interpretation of Federal Financial Accounting Standards

~~Exposure Draft~~

Commented [BML1]: Staff has accepted certain standard changes to convert the ED document to final pronouncement. Examples include removing the transmittal and question for respondents.

~~Written comments are requested by January 6, 2021~~

~~April XX October 29, 2020~~

Commented [BML2]: Interpretations- Following an affirmative vote of majority of members, it is submitted to members representing OMB, GAO and Treasury for 45 days

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or "the Board") in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- [Memorandum of Understanding](#) among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- [Mission statement](#)
- [Documents for comment](#)
- [Statements of Federal Financial Accounting Standards and Concepts](#)
- [FASAB newsletters](#)

Copyright Information

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from FASAB. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

Contact Us

Federal Accounting Standards Advisory Board
441 G Street, NW
Suite 1155
Washington, D.C. 20548
Telephone 202-512-7350

Fax 202-512-7366
www.fasab.gov

SUMMARY

WHAT IS THE BOARD PROPOSING?

~~This Interpretation The Federal Accounting Standards Advisory Board (FASAB or “the Board”) was asked to clarify the classification and presentation of non-federal non-entity Fund Balance with Treasury (FBWT) in paragraph 31 of Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, due to ambiguity regarding the classification and presentation of non-federal non-entity Fund Balance with Treasury (FBWT). This request for guidance provides relates to how that amounts received in deposit funds from non-federal sources in anticipation of an order (that is, an advance) should be classified as presented (that is, classification between intragovernmental and governmental) on component entity financial statements. Once received, the non-federal non-entity funds are deposited into the General Fund of the U.S. Government.~~

SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities’ FBWT. While making this distinction, the amendment added the phrase “other non-federal non-entity FBWT.” ~~The Board acknowledges the standards do not define the phrase “other non-federal non-entity FBWT” and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT. Due to the narrow scope, the Board believes an Interpretation would be the best vehicle to clarify the classification.~~

This ~~proposed~~ Interpretation ~~would~~ clarifies the classification by explaining that the inclusion of “other non-federal non-entity FBWT” in paragraph 31 of SFFAS 1 was intended to provide for similar treatment of activities that were comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. This ~~proposed~~ Interpretation clarifies that the Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31.

Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase “other non-federal non-entity” to unearned revenue, including amounts received from non-federal sources for unfilled orders.

Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

~~This proposal would facilitate consistent reporting of intragovernmental assets and liabilities. Proper classification is essential to constructing financial statements that meet the federal financial reporting objectives as they have been described in Statement of Federal Financial Accounting Concepts 2, *Entity and Display*.~~

MATERIALITY

The provisions of this Interpretation need not be applied to information if the effect of applying the provision(s) is immaterial.¹ A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

¹ Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

TABLE OF CONTENTS

Summary	<u>443</u>
MATERIALITY	<u>553</u>
Interpretation	<u>776</u>
SCOPE	<u>776</u>
INTERPRETATION	<u>776</u>
EFFECTIVE DATE	<u>887</u>
Appendix A: Basis for Conclusions	<u>998</u>
BACKGROUND	<u>998</u>
Summary of Outreach Efforts and Responses	<u>131312</u>
Board Approval	<u>131312</u>
Appendix B: Abbreviations	<u>151514</u>

INTERPRETATION

SCOPE

1. This Interpretation applies when a reporting entity is presenting general purpose federal financial reports (GPFRRs) in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

INTERPRETATION

2. SFFAS 1, *Accounting for Selected Assets and Liabilities*, paragraph 31 provides:

A federal entity's fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity's perspective, the reporting entity's FBWT is an asset because it represents the entity's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

3. SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Federal Accounting Standards Advisory Board (FASAB or "the Board") acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" within SFFAS 31, and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT.
4. SFFAS 31 amended paragraph 31 of SFFAS 1 as follows (amendments are shown in bold and underscored):

A federal entity's fund balance with the Treasury (**FBWT**) is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. **FBWT** is an intragovernmental item, **except for fiduciary or other non-federal non-entity FBWT**. From the reporting entity's perspective, **the reporting entity's FBWT** is an asset because it represents the entity's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other

entities, it is not a liability. **In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.**

5. SFFAS 1, paragraph 31 provides that “FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT.” The standards do not define the phrase “other non-federal non-entity FBWT.” This Interpretation clarifies that the inclusion of “other non-federal non-entity FBWT” in paragraph 31 of SFFAS 1 was to provide for similar treatment of activities that were comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. It was not intended to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31.
6. Federal reporting entities often receive amounts in advance from customers—both federal and non-federal—for unfilled orders **including amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement.** Once received, the funds are deposited into the General Fund of the U.S. Government. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically **excludes** unearned revenue from fiduciary activity reporting (see par. 13 of SFFAS 31). It would be inconsistent to apply the phrase “other non-federal non-entity” to amounts received in deposit accounts from non-federal sources for unfilled orders.
7. Hence, non-federal non-entity amounts received for unfilled orders and deposited into the General Fund of the U.S. Government should be reported as an intragovernmental asset by the component reporting entity.

EFFECTIVE DATE

8. The requirements of this Interpretation are effective upon issuance.

The provisions of this Interpretation need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Interpretation. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Interpretation—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Interpretation may be affected by later Statements or pronouncements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent pronouncements that amend this Interpretation. Within the text of the documents, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement or other pronouncement for the rationale for each amendment.

BACKGROUND

- A1. Stakeholders (more than one federal reporting entity) requested FASAB to review paragraph 31 of SFFAS 1 and clarify the classification and presentation of FBWT. The request relates to how amounts received in deposit funds from non-federal non-entity sources in anticipation of an order (that is, an advance) should be classified and presented on the financial statements. The non-federal non-entity funds are deposited into the General Fund of the U.S. Government.
- A2. There were questions regarding the presentation of the asset on the balance sheet. While the stakeholders and others agreed that it is a non-entity asset, there were differing views regarding whether it should be classified and presented as an intragovernmental asset (FBWT) or a non-federal asset (governmental) on the balance sheet. As discussed later under the section GAAP Guidance, the questions regarding classification came up after the issuance of SFFAS 31 and the resulting amendments to SFFAS 1.
- A3. The primary rationale for treating these advance payments as intragovernmental assets is based on the notion that these deposited amounts are owed by the General Fund of the U.S. Government (FBWT) to the entity responsible for the execution of the underlying agreement or transaction. As discussed in the sections below, the proper classification of this line item is important to ensure there is no double counting of amounts at the government-wide level.

Prevalent Practice

- A4. Most reporting entities (even those that did not request guidance on the issue) report the deposit funds as intragovernmental FBWT on the balance sheet and disclose the portion that is non-entity in the notes to the financial statements. This is consistent with requirements to show non-entity assets separately. Paragraph 26 of SFFAS 1 provides, “Non-entity assets recognized on an entity’s balance sheet should be segregated from entity assets. An amount equal to non-entity assets should be recognized as a liability (due to Treasury or other entities) recognized on the balance sheet.” Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, directs that the distinction be disclosed in the notes, not on the face of the Balance Sheet.

- A5. The Department of the Treasury's Bureau of the Fiscal Service (Fiscal Service) is responsible for prescribing the accounting posting logic for the agencies through the Treasury Financial Manual. Fiscal Service is also responsible for ensuring proper application of intragovernmental eliminations at the government-wide financial reporting level.
- A6. Fiscal Service representatives agreed that non-federal non-entity funds deposited into the General Fund of the U.S. Government should be reported as an intragovernmental asset because agencies are not holding the funds. The funds are being held by the General Fund of the U.S. Government. The General Fund is now a standalone reporting entity in the government. As more fully discussed in the next paragraph, with the General Fund's reporting, the accounting model was made complete for the federal government.
- A7. Simply put, a component reporting entity's FBWT is eliminated with the General Fund's liability for FBWT. As a result, the amount received is reported in the General Fund's financial statements as an asset for the government via the consolidation of the Department of Treasury's financial statements to the government-wide financial statements. It is reported as Cash and Other Monetary Assets. Alternatively, if a reporting entity reported these amounts on a non-federal line on the balance sheet, the asset would be double counted on the government-wide financial statements.
- A8. If the activity was fiduciary in nature, the General Fund identifies the fiduciary deposit funds and records a liability, ensuring that it is not eliminated and is, therefore, reported on the government-wide financial statements.

GAAP Guidance

- A9. As noted previously, SFFAS 1, paragraph 31 provides:

A federal entity's fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity's perspective, the reporting entity's FBWT is an asset because it represents the entity's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

- A10. As noted, the issue relates to how amounts received in deposit funds from non-federal sources in anticipation of an order should be classified and presented on the financial statements. The non-federal non-entity funds are deposited into the General Fund of the U.S. Government.
- A11. The Board acknowledges that the lack of clarity in SFFAS 1 is due to the amendments resulting from SFFAS 31. In addition, the standards do not define the phrase "other non-federal non-entity FBWT" and the added phrase led to ambiguity regarding classification and presentation of non-federal non-entity FBWT.

- A12. SFFAS 31 amended paragraph 31 of SFFAS 1 as follows (amendments are shown in bold and underscored):

A federal entity's fund balance with the Treasury (**FBWT**) is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. **FBWT** is an intragovernmental item, **except for fiduciary or other non-federal non-entity FBWT**. From the reporting entity's perspective, **the reporting entity's FBWT** is an asset because it represents the entity's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. **In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.**

- A13. Regarding the intragovernmental classification, the differing views relate to the phrase "or other non-federal non-entity FBWT." The inclusion of "other non-federal non-entity FBWT" in paragraph 31 of SFFAS 1 was to provide for similar treatment of activities that were comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. As evident in providing for specific exclusions in SFFAS 31, the Board did not want similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31.
- A14. SFFAS 31 provides for certain exclusions from the reporting requirements for fiduciary activities. For example, amounts related to unpaid payroll withholdings and garnishments are excluded from fiduciary reporting. In addition, unearned revenue should not be reported as fiduciary activity.
- A15. While the amounts received in deposit accounts (by reporting entities that submitted the request for guidance) are from a non-federal fund source and deposited for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting (par. 13 of SFFAS 31). In this case, it would be inconsistent to apply the phrase "other non-federal non-entity deposit funds" to this activity. As noted, paragraph 13 of SFFAS 31 provides for this exclusion and specifically states:

Unearned revenue should not be reported as fiduciary activity and should be recognized as a liability in accordance with existing standards.⁸ Assets collected or received by a Federal entity that represent prepayments or advance payments for which the Federal component entity is expected to provide goods or services should not be classified as fiduciary activity. This exclusion applies broadly and applies to amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement process, even if these amounts are not specifically classified as "unearned revenue" by the entity due to uncertainty about the ultimate realization of the revenue.

FN8 See SFFAS 1, paragraph 85 and SFFAS 7, *Accounting for Revenue and Other Financing Sources*, paragraph 37.

- A16. Paragraph 49, in the basis for conclusions of SFFAS 31, addresses the specific topic of advances:

Similarly, Federal component entities may hold advances received from customers for future sales of goods or services. Such advances represent unearned revenue. One Federal agency, in its written response and oral testimony, noted that certain advances received appear to meet the definition of fiduciary activity. However, this standard excludes unearned revenue from the fiduciary reporting requirements because unearned revenue is a routine operational activity and the Board believes that fiduciary reporting of unearned revenue is not warranted.

- A17. The Board acknowledges that the amended wording contributed to the ambiguity that currently exists. However, this Interpretation clarifies that the underlying goals as intended are consistent regarding FBWT. Specifically, one should consider how FBWT is viewed from the component entity and government-wide perspective in considering how these relationships are intertwined. In this relationship, FBWT is an intragovernmental asset for the component reporting entity because it represents the entity's claim to the federal government's resources. From the perspective of the federal government as a whole, it is not an asset in that intragovernmental amounts are eliminated in consolidation, and thus, would not appear on the government-wide balance sheet. Accordingly, it is important that the classification is proper.

Clarification of Non-federal Non-entity FBWT Classification and Presentation

- A18. The Board acknowledges that the lack of clarity in SFFAS 1 is due to the amendments resulting from SFFAS 31. The standards do not define the phrase "other non-federal non-entity FBWT" and the added phrase led to ambiguity regarding classification and presentation of non-federal non-entity FBWT. The Board believes this Interpretation would be the best vehicle to clarify the classification.
- A19. SFFAS 1, paragraph 31 describes a federal entity's FBWT as the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. The paragraph also states, "FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT."
- A20. This Interpretation clarifies that the inclusion of "other non-federal non-entity FBWT" in paragraph 31 of SFFAS 1 was intended to provide for similar treatment of activities that were comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. This Interpretation clarifies that it was not intended to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31.
- A21. Federal reporting entities often receive amounts in advance from customers—both federal and non-federal—for unfilled orders including amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting (see par. 13 of SFFAS 31). Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to this activity or amounts received in deposit accounts from non-federal sources for unfilled orders.

A22. Therefore, non-federal non-entity amounts for unfilled customer orders deposited into the General Fund of the U.S. Government should be reported as an intragovernmental asset by the component reporting entity.

A23. FBWT is an intragovernmental aggregate account between federal agencies and the General Fund of the U.S. Government. It is where funds are recorded until needed to fulfill the non-entity orders. This presentation is also consistent with guidance provided by OMB Circular A-136, *Financial Reporting Requirements*.

Summary of Outreach Efforts and Responses

A24. The exposure draft, *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31* was issued October 29, 2020 with comments requested by January 6, 2021.

A25. Upon release of the ED, FASAB provided notices and press releases to the FASAB subscription email list, the Federal Register, FASAB News, the *Journal of Accountancy*, the Chief Financial Officers Council, the Council of the Inspectors General on Integrity and Efficiency, and committees of professional associations generally commenting on EDs in the past (for example, the Greater Washington Society of CPAs and the Association of Government Accountants Financial Management Standards Board).

A26. To encourage responses, a reminder notice was provided to FASAB's subscription email list.

A27. FASAB received 16 comment letters from preparers, auditors, professional associations, and users of federal financial information. The Board considered responses to the exposure draft at its February 2021 meeting. The Board did not rely on the number in favor of or opposed to a given position. The Board considered each response and weighed the merits of the points raised. The respondents' comments are summarized below.

A23.—The majority of respondents generally agreed with the Interpretation. Specifically, the majority of respondents generally agreed the Interpretation clarified that non-federal non-entity amount received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity. Certain respondents provided minor editorial clarifications that were carefully considered and adopted.

A28.

A29. Although the respondents were in agreement with the proposal, two respondents suggested defining other non-federal non-entity FBWT and one respondent suggested providing examples. The Board considered this beyond the scope of the interpretation.

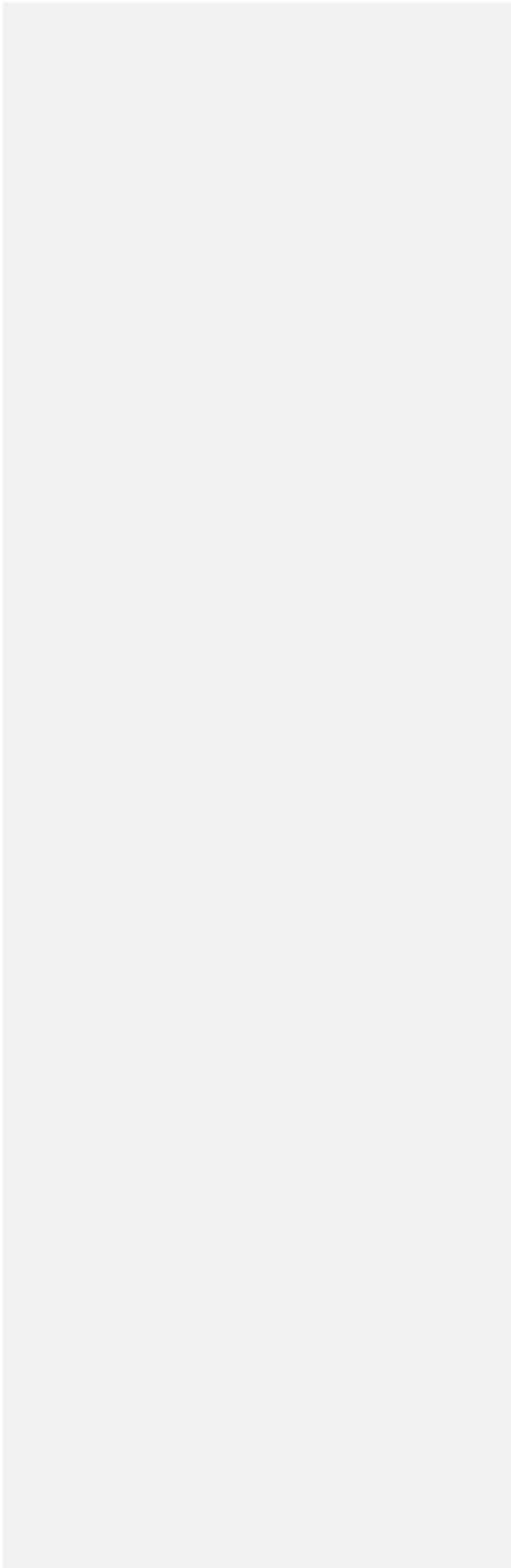
Board Approval

A24-A30. This interpretation was [TBD approved] for issuance by all members of the Board.

Formatted: Indent: Left: 0.4", No bullets or numbering

Formatted: Indent: Left: 0.4", No bullets or numbering

Formatted: Heading 2, No bullets or numbering



APPENDIX B: ABBREVIATIONS

FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
GAAP	Generally Accepted Accounting Principles
GPFFR	General Purpose Federal Financial Report
OMB	Office of Management and Budget
SFFAS	Statement of Federal Financial Accounting Standards

FASAB Members

George A. Scott, Chair

R. Scott Bell

Gila J. Bronner

Robert F. Dacey

Sallyanne Harper

Regina Kearney

Patrick McNamee

Terry K. Patton

Graylin E. Smith

FASAB Staff

Monica R. Valentine, Executive Director

Melissa L. Batchelor, Assistant Director

Federal Accounting Standards Advisory Board

441 G Street, NW

Suite 1155

Washington, D.C. 20548

Telephone 202-512-7350

Fax 202-512-7366

www.fasab.gov

Attachment 3: Clean Proposed Interpretation *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31*



Federal Accounting Standards Advisory Board

**CLARIFICATION OF NON-FEDERAL
NON-ENTITY FBWT CLASSIFICATION
(SFFAS 1, PARAGRAPH 31):**
AN INTERPRETATION OF SFFAS 1 AND SFFAS 31

Interpretation of Federal Financial Accounting Standards

April XX, 2021

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- [Memorandum of Understanding](#) among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- [Mission statement](#)
- [Documents for comment](#)
- [Statements of Federal Financial Accounting Standards and Concepts](#)
- [FASAB newsletters](#)

Copyright Information

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from FASAB. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

Contact Us

Federal Accounting Standards Advisory Board
441 G Street, NW
Suite 1155
Washington, D.C. 20548
Telephone 202-512-7350
Fax 202-512-7366
www.fasab.gov

SUMMARY

This Interpretation clarifies the classification and presentation of non-federal non-entity Fund Balance with Treasury (FBWT) in paragraph 31 of Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*. This guidance provides that amounts received in deposit funds from non-federal sources in anticipation of an order (that is, an advance) should be classified as intragovernmental on component entity financial statements.

SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." This Interpretation clarifies the classification by explaining that the inclusion of "other non-federal non-entity FBWT" in paragraph 31 of SFFAS 1 was intended to provide for similar treatment of activities that were comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. This Interpretation clarifies that the Board did not intend to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31.

Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting. Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to unearned revenue, including amounts received from non-federal sources for unfilled orders.

Hence, non-federal non-entity amounts received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity.

MATERIALITY

The provisions of this Interpretation need not be applied to information if the effect of applying the provision(s) is immaterial.¹ A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

¹ Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

TABLE OF CONTENTS

Summary 3
 MATERIALITY 3
Interpretation 5
 SCOPE 5
 INTERPRETATION 5
 EFFECTIVE DATE 6
Appendix A: Basis for Conclusions 7
 BACKGROUND 7
 Summary of Outreach Efforts and Responses 11
 Board Approval 11
Appendix B: Abbreviations 12

INTERPRETATION

SCOPE

1. This Interpretation applies when a reporting entity is presenting general purpose federal financial reports (GPFRRs) in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

INTERPRETATION

2. SFFAS 1, *Accounting for Selected Assets and Liabilities*, paragraph 31 provides:

A federal entity's fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity's perspective, the reporting entity's FBWT is an asset because it represents the entity's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

3. SFFAS 1, paragraph 31 was amended by SFFAS 31, *Accounting for Fiduciary Activities*, in an effort to clarify the definition and reporting for fiduciary amounts on deposit in the U.S. Treasury and to distinguish fiduciary FBWT from federal component entities' FBWT. While making this distinction, the amendment added the phrase "other non-federal non-entity FBWT." The Federal Accounting Standards Advisory Board (FASAB or "the Board") acknowledges that the amendments did not define the phrase "other non-federal non-entity FBWT" within SFFAS 31, and the added phrase contributed to the lack of clarity regarding classification and presentation of non-federal non-entity FBWT.
4. SFFAS 31 amended paragraph 31 of SFFAS 1 as follows (amendments are shown in bold and underscored):

A federal entity's fund balance with the Treasury (**FBWT**) is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. **FBWT** is an intragovernmental item, **except for fiduciary or other non-federal non-entity FBWT**. From the reporting entity's perspective, **the reporting entity's FBWT** is an asset because it represents the entity's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other

entities, it is not a liability. **In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.**

5. SFFAS 1, paragraph 31 provides that “FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT.” The standards do not define the phrase “other non-federal non-entity FBWT.” This Interpretation clarifies that the inclusion of “other non-federal non-entity FBWT” in paragraph 31 of SFFAS 1 was to provide for similar treatment of activities that were comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. It was not intended to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31.
6. Federal reporting entities often receive amounts in advance from customers—both federal and non-federal—for unfilled orders including amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement. Once received, the funds are deposited into the General Fund of the U.S. Government. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically **excludes** unearned revenue from fiduciary activity reporting (see par. 13 of SFFAS 31). It would be inconsistent to apply the phrase “other non-federal non-entity” to amounts received in deposit accounts from non-federal sources for unfilled orders.
7. Hence, non-federal non-entity amounts received for unfilled orders and deposited into the General Fund of the U.S. Government should be reported as an intragovernmental asset by the component reporting entity.

EFFECTIVE DATE

8. The requirements of this Interpretation are effective upon issuance.

The provisions of this Interpretation need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Interpretation. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Interpretation—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Interpretation may be affected by later Statements or pronouncements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent pronouncements that amend this Interpretation. Within the text of the documents, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement or other pronouncement for the rationale for each amendment.

BACKGROUND

- A1. Stakeholders (more than one federal reporting entity) requested FASAB to review paragraph 31 of SFFAS 1 and clarify the classification and presentation of FBWT. The request relates to how amounts received in deposit funds from non-federal non-entity sources in anticipation of an order (that is, an advance) should be classified and presented on the financial statements. The non-federal non-entity funds are deposited into the General Fund of the U.S. Government.
- A2. There were questions regarding the presentation of the asset on the balance sheet. While the stakeholders and others agreed that it is a non-entity asset, there were differing views regarding whether it should be classified and presented as an intragovernmental asset (FBWT) or a non-federal asset (governmental) on the balance sheet. As discussed later under the section GAAP Guidance, the questions regarding classification came up after the issuance of SFFAS 31 and the resulting amendments to SFFAS 1.
- A3. The primary rationale for treating these advance payments as intragovernmental assets is based on the notion that these deposited amounts are owed by the General Fund of the U.S. Government (FBWT) to the entity responsible for the execution of the underlying agreement or transaction. As discussed in the sections below, the proper classification of this line item is important to ensure there is no double counting of amounts at the government-wide level.

Prevalent Practice

- A4. Most reporting entities (even those that did not request guidance on the issue) report the deposit funds as intragovernmental FBWT on the balance sheet and disclose the portion that is non-entity in the notes to the financial statements. This is consistent with requirements to show non-entity assets separately. Paragraph 26 of SFFAS 1 provides, “Non-entity assets recognized on an entity’s balance sheet should be segregated from entity assets. An amount equal to non-entity assets should be recognized as a liability (due to Treasury or other entities) recognized on the balance sheet.” Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, directs that the distinction be disclosed in the notes, not on the face of the Balance Sheet.

- A5. The Department of the Treasury's Bureau of the Fiscal Service (Fiscal Service) is responsible for prescribing the accounting posting logic for the agencies through the Treasury Financial Manual. Fiscal Service is also responsible for ensuring proper application of intragovernmental eliminations at the government-wide financial reporting level.
- A6. Fiscal Service representatives agreed that non-federal non-entity funds deposited into the General Fund of the U.S. Government should be reported as an intragovernmental asset because agencies are not holding the funds. The funds are being held by the General Fund of the U.S. Government. The General Fund is now a standalone reporting entity in the government. As more fully discussed in the next paragraph, with the General Fund's reporting, the accounting model was made complete for the federal government.
- A7. Simply put, a component reporting entity's FBWT is eliminated with the General Fund's liability for FBWT. As a result, the amount received is reported in the General Fund's financial statements as an asset for the government via the consolidation of the Department of Treasury's financial statements to the government-wide financial statements. It is reported as Cash and Other Monetary Assets. Alternatively, if a reporting entity reported these amounts on a non-federal line on the balance sheet, the asset would be double counted on the government-wide financial statements.
- A8. If the activity was fiduciary in nature, the General Fund identifies the fiduciary deposit funds and records a liability, ensuring that it is not eliminated and is, therefore, reported on the government-wide financial statements.

GAAP Guidance

- A9. As noted previously, SFFAS 1, paragraph 31 provides:

A federal entity's fund balance with the Treasury (FBWT) is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity's perspective, the reporting entity's FBWT is an asset because it represents the entity's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.

- A10. As noted, the issue relates to how amounts received in deposit funds from non-federal sources in anticipation of an order should be classified and presented on the financial statements. The non-federal non-entity funds are deposited into the General Fund of the U.S. Government.
- A11. The Board acknowledges that the lack of clarity in SFFAS 1 is due to the amendments resulting from SFFAS 31. In addition, the standards do not define the phrase "other non-federal non-entity FBWT" and the added phrase led to ambiguity regarding classification and presentation of non-federal non-entity FBWT.

- A12. SFFAS 31 amended paragraph 31 of SFFAS 1 as follows (amendments are shown in bold and underscored):

A federal entity's fund balance with the Treasury (**FBWT**) is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. **FBWT** is an intragovernmental item, **except for fiduciary or other non-federal non-entity FBWT**. From the reporting entity's perspective, **the reporting entity's FBWT** is an asset because it represents the entity's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability. **In contrast, fiduciary and other non-federal non-entity FBWT is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the non-federal beneficiaries.**

- A13. Regarding the intragovernmental classification, the differing views relate to the phrase "or other non-federal non-entity FBWT." The inclusion of "other non-federal non-entity FBWT" in paragraph 31 of SFFAS 1 was to provide for similar treatment of activities that were comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. As evident in providing for specific exclusions in SFFAS 31, the Board did not want similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31.
- A14. SFFAS 31 provides for certain exclusions from the reporting requirements for fiduciary activities. For example, amounts related to unpaid payroll withholdings and garnishments are excluded from fiduciary reporting. In addition, unearned revenue should not be reported as fiduciary activity.
- A15. While the amounts received in deposit accounts (by reporting entities that submitted the request for guidance) are from a non-federal fund source and deposited for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically excludes unearned revenue from fiduciary activity reporting (par. 13 of SFFAS 31). In this case, it would be inconsistent to apply the phrase "other non-federal non-entity deposit funds" to this activity. As noted, paragraph 13 of SFFAS 31 provides for this exclusion and specifically states:

Unearned revenue should not be reported as fiduciary activity and should be recognized as a liability in accordance with existing standards.⁸ Assets collected or received by a Federal entity that represent prepayments or advance payments for which the Federal component entity is expected to provide goods or services should not be classified as fiduciary activity. This exclusion applies broadly and applies to amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement process, even if these amounts are not specifically classified as "unearned revenue" by the entity due to uncertainty about the ultimate realization of the revenue.

FN8 See SFFAS 1, paragraph 85 and SFFAS 7, *Accounting for Revenue and Other Financing Sources*, paragraph 37.

- A16. Paragraph 49, in the basis for conclusions of SFFAS 31, addresses the specific topic of advances:

Similarly, Federal component entities may hold advances received from customers for future sales of goods or services. Such advances represent unearned revenue. One Federal agency, in its written response and oral testimony, noted that certain advances received appear to meet the definition of fiduciary activity. However, this standard excludes unearned revenue from the fiduciary reporting requirements because unearned revenue is a routine operational activity and the Board believes that fiduciary reporting of unearned revenue is not warranted.

- A17. The Board acknowledges that the amended wording contributed to the ambiguity that currently exists. However, this Interpretation clarifies that the underlying goals as intended are consistent regarding FBWT. Specifically, one should consider how FBWT is viewed from the component entity and government-wide perspective in considering how these relationships are intertwined. In this relationship, FBWT is an intragovernmental asset for the component reporting entity because it represents the entity's claim to the federal government's resources. From the perspective of the federal government as a whole, it is not an asset in that intragovernmental amounts are eliminated in consolidation, and thus, would not appear on the government-wide balance sheet. Accordingly, it is important that the classification is proper.

Clarification of Non-federal Non-entity FBWT Classification and Presentation

- A18. The Board acknowledges that the lack of clarity in SFFAS 1 is due to the amendments resulting from SFFAS 31. The standards do not define the phrase "other non-federal non-entity FBWT" and the added phrase led to ambiguity regarding classification and presentation of non-federal non-entity FBWT. The Board believes this Interpretation would be the best vehicle to clarify the classification.
- A19. SFFAS 1, paragraph 31 describes a federal entity's FBWT as the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. The paragraph also states, "FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT."
- A20. This Interpretation clarifies that the inclusion of "other non-federal non-entity FBWT" in paragraph 31 of SFFAS 1 was intended to provide for similar treatment of activities that were comparable with fiduciary activity but that had not been identified specifically in SFFAS 31. This Interpretation clarifies that it was not intended to require similar treatment for activities that were explicitly excluded from the provisions of SFFAS 31.
- A21. Federal reporting entities often receive amounts in advance from customers—both federal and non-federal—for unfilled orders including amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement. Although amounts received in deposit accounts may come from non-federal non-entity sources for unfilled orders, these amounts do not qualify as fiduciary activity because SFFAS 31 specifically **excludes** unearned revenue from fiduciary activity reporting (see par. 13 of SFFAS 31). Therefore, it would be inconsistent to apply the phrase "other non-federal non-entity" to this activity or amounts received in deposit accounts from non-federal sources for unfilled orders.

- A22. Therefore, non-federal non-entity amounts for unfilled customer orders deposited into the General Fund of the U.S. Government should be reported as an intragovernmental asset by the component reporting entity.
- A23. FBWT is an intragovernmental aggregate account between federal agencies and the General Fund of the U.S. Government. It is where funds are recorded until needed to fulfill the non-entity orders. This presentation is also consistent with guidance provided by OMB Circular A-136, *Financial Reporting Requirements*.

Summary of Outreach Efforts and Responses

- A24. The exposure draft, *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31* was issued October 29, 2020 with comments requested by January 6, 2021.
- A25. Upon release of the ED, FASAB provided notices and press releases to the FASAB subscription email list, the Federal Register, FASAB News, the *Journal of Accountancy*, the Chief Financial Officers Council, the Council of the Inspectors General on Integrity and Efficiency, and committees of professional associations generally commenting on EDs in the past (for example, the Greater Washington Society of CPAs and the Association of Government Accountants Financial Management Standards Board).
- A26. To encourage responses, a reminder notice was provided to FASAB's subscription email list.
- A27. FASAB received 16 comment letters from preparers, auditors, professional associations, and users of federal financial information. The Board considered responses to the exposure draft at its February 2021 meeting. The Board did not rely on the number in favor of or opposed to a given position. The Board considered each response and weighed the merits of the points raised. The respondents' comments are summarized below.
- A28. The majority of respondents generally agreed with the Interpretation. Specifically, the majority of respondents generally agreed the Interpretation clarified that non-federal non-entity amount received for unfilled orders that are reflected in FBWT should be reported as an intragovernmental asset of the component reporting entity. Certain respondents provided minor editorial clarifications that were carefully considered and adopted.
- A29. Although the respondents were in agreement with the proposal, two respondents suggested defining other non-federal non-entity FBWT and one respondent suggested providing examples. The Board considered this beyond the scope of the interpretation.

Board Approval

- A30. This interpretation was [TBD approved] for issuance by all members of the Board.

APPENDIX B: ABBREVIATIONS

FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
GAAP	Generally Accepted Accounting Principles
GPFFR	General Purpose Federal Financial Report
OMB	Office of Management and Budget
SFFAS	Statement of Federal Financial Accounting Standards

FASAB Members

George A. Scott, Chair

R. Scott Bell

Gila J. Bronner

Robert F. Dacey

Sallyanne Harper

Regina Kearney

Patrick McNamee

Terry K. Patton

Graylin E. Smith

FASAB Staff

Monica R. Valentine, Executive Director

Melissa L. Batchelor, Assistant Director

Federal Accounting Standards Advisory Board

441 G Street, NW

Suite 1155

Washington, D.C. 20548

Telephone 202-512-7350

Fax 202-512-7366

www.fasab.gov