

Federal Accounting Standards Advisory Board

For more information:
Melissa Batchelor
(202) 512-5976
batchelorm@fasab.gov

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NEWS RELEASE

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

The chair of the Federal Accounting Standards Advisory Board (FASAB or “the Board”), George A. Scott, announced today that FASAB is seeking input on a proposed Interpretation, *Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31*. The proposed Interpretation would clarify the classification and presentation of non-federal non-entity Fund Balance with Treasury (FBWT). Specifically, the guidance would address how amounts received in deposit funds from non-federal sources in anticipation of an order (that is, an advance) should be presented (that is, classification between intragovernmental and governmental) on component entity financial statements.

Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, 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. The proposed Interpretation would clarify 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. The proposed Interpretation would clarify 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.

“The proposed Interpretation is necessary to provide clarification in SFFAS 1 that resulted from amendments made while issuing SFFAS 31. This guidance will ensure consistent reporting of intragovernmental assets,” according to Chairman Scott.

The Board requests comments on the exposure draft (ED) by January 6, 2021. Respondents are encouraged to provide the reasons for their positions. The ED and the specific question raised are available on the FASAB website in PDF and Microsoft Word format, respectively (<https://www.fasab.gov/documents-for-comment/>).

ABOUT FASAB

FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information.

Financial reports, which include financial statements prepared in conformity with generally accepted accounting principles, are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, the Board plays a major role in fulfilling the government's responsibility to be publicly accountable. Federal financial reports should be useful in assessing (1) the government's accountability and its efficiency and effectiveness and (2) the economic, political, and social consequences, whether positive or negative, of the allocation and various uses of federal resources.

FASAB issues federal accounting standards after following a due process consistent with the Memorandum of Understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

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