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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

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