

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

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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.

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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

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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.