

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

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Organization: **Department of Housing and Urban Development**

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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.**

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.

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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.