

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

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Name: James Eun

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Organization: Department of Homeland Security

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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.

**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**

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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.