Statement of Federal Financial Accounting Standards 31: Accounting for Fiduciary Activities

Status

Issued	October 24, 2006
Effective Date	For periods beginning after September 30, 2008
Interpretations and Technical Releases	None.
Affects	• SFFAS 1, par. 26, 29, 31, 37, 38 • SFFAS 7, par. 83-87 (rescinded), 142, 276, 370 (rescinded) • Interpretation 1 (rescinded) • SFFAC 2, par. 84, 102
Affected by	• SIG 31.1

Summary

This statement defines “fiduciary activities” as those Federal Government activities that relate to the collection or receipt, and the subsequent management, protection, accounting, investment and disposition of cash or other assets in which non-Federal individuals or entities (“non-Federal parties”) have an ownership interest that the Federal Government must uphold. The fiduciary relationship must be based on statutory or other legal authority and the fiduciary activity must be in furtherance of that relationship.

This statement requires Federal entities to distinguish the information relating to fiduciary activities of the Federal entity from all other activities of that Federal entity. Fiduciary assets will not be recognized on the balance sheet of any Federal entity. The Federal entity is required to include in its own audited financial statements a note disclosure providing the following information about its fiduciary activities:

- An explanation of the nature of the fiduciary relationship,
- A schedule of fiduciary net assets, and
- A schedule of fiduciary activity.

This requirement applies even if the Federal entity issues stand-alone audited financial statements for the fiduciary activity. For entities managing several distinct fiduciary activities, disaggregated information is required by activity.

The Financial Report of the United States Government (FR) will include a note disclosure describing the nature of the fiduciary activities of the Federal Government. The FR note disclosure will provide a list of component entities responsible for fiduciary activities and the total amount of fiduciary net assets for each responsible component entity. The FR note disclosure will refer the reader to the component entity financial statements for additional information about each component’s fiduciary activity.

This statement is effective for periods beginning after September 30, 2008. Early adoption is not permitted. In the year this statement becomes effective, entities should not restate the prior period amounts presented in the basic financial statements and notes.

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Introduction

1. This statement defines **fiduciary activity**[1] and provides accounting and reporting guidance for fiduciary activities. Fiduciary activities should be distinguished from Federal programs designated as "trust funds" in the budget and in reporting to the Office of Management and Budget (OMB) and to the Treasury Financial Management Service (FMS). "Trust funds" included in the Federal budget are often established to carry out Federal programs, and their activity differs from the common understanding of trust **fund** activity outside of government. Most of the **revenue** received by Federal "trust funds" represents Government-owned collections "earmarked" or dedicated to finance or help to finance specific Federal programs rather than being held for the exclusive benefit of **non-Federal parties**. Non-fiduciary "trust funds" are addressed by Statement of Federal Financial Accounting Standards 27, *Identifying and Reporting Earmarked Funds.* This standard addresses activities that are fiduciary in nature.

2. Fiduciary activities involve **ownership interests** described in this statement (see paragraph 10). The Federal employees' Thrift Savings Fund and the Indian tribal and individual Indian trust funds are examples of fiduciary activities.

3. In order to clarify financial reporting in general purpose Federal financial reports, this standard defines fiduciary activity and provides financial reporting guidance for fiduciary activity and for fiduciary assets and liabilities.

4. This standard requires that the terms "**fiduciary,**" "**fiduciary assets**," "fiduciary fund," and "fiduciary activity" be used in general purpose Federal financial reports to characterize only fiduciary activity as defined in this standard. Non-fiduciary "trust fund" assets and activity related thereto should not be characterized as "fiduciary" or "trust" activity in general purpose financial reports of Federal **entities**. Such reporting would obscure an essential fact: that the Federal Government uses the non-fiduciary assets in support of its programs.

5. This standard requires that Federal entities disclose fiduciary assets, liabilities and flows in a note **disclosure**. Fiduciary assets and liabilities should not be recognized on the balance sheet of the Federal entity.

6. This standard also clarifies the definition and reporting for fiduciary cash that is on deposit in the U.S. Treasury. Fiduciary cash deposits are referred to as **Fiduciary Fund Balance with Treasury** (Fiduciary FBWT). This deposit activity is not fully addressed in Statement of Federal Financial Accounting Standards 1, *Accounting for Selected Assets and Liabilities.*

[1] Words first appearing in boldface are defined in Appendix B: Glossary

SFFAS 1 explains that "in some circumstances, the entity deposits cash in its accounts in a fiduciary capacity for the U.S. Treasury or other entities."[2] However, some unique aspects of Fiduciary FBWT are not included in SFFAS 1. For example, SFFAS 1 defines FBWT as "the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities." SFFAS 1 further explains that "Fund Balance with Treasury is an intragovernmental item." However, Fiduciary FBWT is not an intragovernmental item; the owner of Fiduciary FBWT is a non-Federal party. This standard amends SFFAS 1 to distinguish fiduciary FBWT from Federal component entities' FBWT.

7. Numerous "fund groups[3]" are used in reporting to the Treasury FMS and the OMB. For example, "**deposit funds**" may be used for monies that do not belong to the Federal Government. Regardless of how a fund group may be classified in reporting to the Treasury FMS or to the OMB, only those activities that meet the definition of fiduciary activity promulgated in this standard are subject to the reporting requirements of this standard. Activities that do not meet the definition of fiduciary activities promulgated in this standard are not subject to the reporting requirements of this standard. Deposit funds that do not meet the definition of fiduciary activities, and therefore are not disclosed in the fiduciary note disclosure, should be recognized in the principal financial statements.

Scope

8. This statement provides financial reporting standards for fiduciary activities in the general purpose financial statements for Federal entities. The standard does not affect reporting in the *Budget of the United States* or special-purpose reports.

Effective Date

9. This standard is effective for periods beginning after September 30, 2008. In the initial year of implementation, comparative information should not be restated. Earlier adoption is prohibited.

[2]SFFAS 1, paragraph 29.

[3] For a description of "fund groups" used in reporting to the Treasury FMS and the OMB, see the Treasury Financial Manual, Part 2, Chapter 1500.

Accounting Standard

Definition and Characteristics of Fiduciary Activities

Definition

10. In a fiduciary activity a Federal entity collects or receives and subsequently manages, protects, accounts for, invests, and/or disposes of cash or other assets in which **non-Federal individuals or entities** (or "non-Federal parties") have an ownership interest that the Federal Government must uphold. Non-Federal parties must have an ownership interest in cash or other assets held by the Federal entity under provision of law, regulation, or other fiduciary arrangement. The ownership interest must be enforceable against the Federal Government. Judicial remedies must be available for the breach of the fiduciary obligation.

Characteristics

11. Fiduciary activities are initiated by **fiduciary collections**. Fiduciary collections are an inflow to a Federal entity or its non-Federal designee (such as a commercial bank) of cash or other assets that are and remain the property of non-Federal parties. Fiduciary collections may be preceded by the recognition of fiduciary accounts receivable.

12. Fiduciary activities may involve a variety of fiduciary assets, liabilities and transactions. Examples include but are not limited to:

    <u>Cash:</u>

    Fiduciary cash may be held in a variety of ways. Cash may be represented by balances on deposit with the U.S. Treasury[4] or commercial banks.

[4] The U.S. Treasury is in the Treasury Department, which is the primary fiscal agent for the Federal Government. The Treasury Department collects money due to the United States, makes payments, manages borrowings, performs central accounting functions, and produces coins and currency sufficient to meet demand. The Treasury Department manages the Government's daily cash position and borrowing as well as the investment of funds in its custody. The Treasury Department provides Central Accounting System (CAS) services to Federal agencies. CAS transactions involve appropriation credits, transfers-in and -out, collections, disbursements and related adjustments. Such transactions increase or decrease Federal entities' **Fund Balance with Treasury** (FBWT) maintained with the Treasury Department.

Investments:

Fiduciary assets may include investments in Treasury securities or in non-Treasury securities.

Other Assets:

Fiduciary assets may include assets other than cash, e.g., real or personal property held temporarily pending disposition, or held long-term in a fiduciary capacity.

Liabilities:

A fiduciary activity may include expenses that will be paid with fiduciary assets. This may result in fiduciary liabilities that will be settled with fiduciary assets.

Inflows:

A fiduciary activity may include collections of cash or other assets that represent contributions from or for beneficiaries or revenue derived from fiduciary assets.

Outflows:

A fiduciary activity may include expenses that will be paid with fiduciary assets and distributions of assets to the beneficiaries.

Exclusions

13. The following are excluded from the reporting requirements for fiduciary activities, and should be recognized in the principal financial statements of the Federal component entity and not in the fiduciary note disclosure:

- Amounts related to unpaid[5] **payroll withholdings** and **garnishments**[6] are excluded from the reporting requirements of this standard. Liabilities for unpaid payroll withholdings and garnishments should be recognized as accounts payable in

[5] "Unpaid" means that amounts withheld or garnished have not been paid to the designated recipient of the amounts withheld or garnished.

[6] Examples of garnishments include amounts withheld from an individual's salary or tax refund for payments of child support or to another third party in compliance with a statute or court order.

accordance with existing standards.[7]

- **Unearned revenue** should not be reported as fiduciary activity and should be recognized as a liability in accordance with existing standards.[8] Assets collected or received by a Federal entity that represent prepayments or advance payments for which the Federal component entity is expected to provide goods or services should not be classified as fiduciary activity. This exclusion applies broadly and applies to amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement process, even if these amounts are not specifically classified as "unearned revenue" by the entity due to uncertainty about the ultimate realization of the revenue.

14. Amounts related to operating revenues and expenses in ways that are consistent with the above exclusions also may be excluded.

15. **Seized property**, including seized monetary instruments, is not subject to the reporting requirements for fiduciary activities because it does not meet the definition of a fiduciary activity. Seized assets, including seized monetary instruments, should continue to be reported in accordance with existing standards.[9]

Basis of Accounting

16. Fiduciary activities reported in the Federal entity's notes to the financial statements, as required in paragraphs 17-24, should be disclosed in the required schedules and measured using the standards provided in generally accepted accounting principles.[10]

[7] See SFFAS 1, *Accounting for Selected Assets and Liabilities*, paragraphs 74-86.

[8] See SFFAS 1, paragraph 85 and SFFAS 7, *Accounting for Revenue and Other Financing Sources*, paragraph 37.

[9] See SFFAS 3, *Inventory and Related Property*, paragraphs 61 and 69.

[10] For the definition of generally accepted accounting principles see the American Institute of Certified Public Accountants *Professional Standards*, U.S. Auditing Standards (AU) Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles."

Accounting and Reporting for Fiduciary Activities for Component Entities

Reporting of Fiduciary Activities

17. Reporting on fiduciary activities is required in two notes to the financial statements. The note disclosing significant accounting policies[11] should include, at a minimum, a statement that: "Fiduciary assets are not assets of the [Federal component entity] and are not recognized on the balance sheet. See Note xx, Fiduciary Activities."

18. A separate note to the financial statements should include the following information for individual fiduciary activities:

    a. A description of the fiduciary relationship, e.g., the applicable legal authority, the objectives of the fiduciary activity, and a general description of the beneficial owners or class of owners.

    b. A Schedule of Fiduciary Activity displaying, for all periods presented:

    - The beginning balance of net assets,
    - The inflows from the fiduciary activities by category (e.g., contributions, investment earnings) and outflows by category (e.g., benefit payments, refunds, administrative expenses),
    - The change in net assets, and
    - The ending balance of net assets.

    c. A Schedule of Fiduciary Net Assets displaying the current and prior period ending balances of cash and any other assets by category (e.g., receivables, investments), and liabilities by category (e.g., accounts payable, refunds payable), and a variance analysis addressing significant changes from the prior period. The disclosure for non-monetary fiduciary assets should include a description of the composition of the assets, the method(s) of valuation, and changes (if any) from prior period accounting methods.

    d. Component entities also may have **non-valued fiduciary assets.** Non-valued fiduciary assets are fiduciary assets for which required disclosure does not include dollar values. Non-valued fiduciary assets may include land held in trust. Component entities holding non-valued fiduciary assets should disclose them in a Schedule of Changes in Non-Valued

[11] A note disclosing "Significant Accounting Policies" is a requirement of the Office of Management and Budget (OMB). This disclosure is currently listed as Note 1 in "Form and Content of the Performance and Accountability Report" issued as Part A of OMB Circular A-136.

Fiduciary Assets, which should include a description of non-valued fiduciary assets, beginning quantity, quantity received, quantity disposed of, net increase/decrease in non-valued fiduciary assets, and ending total quantity.

e. If separate audited financial statements are issued for an individual fiduciary activity, additional disclosures listed in paragraph 22 should be provided. If the separate audited financial statements for an individual fiduciary activity are prepared with a fiscal year-end other than September 30, the information required in this paragraph may be provided for the fiduciary activity's most recent fiscal year, provided that the information is clearly labeled.

19. Most fiduciary activities are disclosed by the Federal component entity responsible for administering the fiduciary activity on behalf of the beneficiaries. If more than one Federal component entity is responsible for administering a fiduciary activity, and the separate portions of the activity can be clearly identified with a responsible component entity, then each component entity should disclose its portion in accordance with the requirements of this standard. In such cases, each component entity should identify the other component entities that are involved in managing the activity. If separate portions cannot be identified, the component entity with program management responsibility should disclose the fiduciary activity.[12]

20. For component entities with several distinct fiduciary activities, summary financial information required in paragraph 18 should be provided for each fiduciary activity presented individually. Information for fiduciary activities not presented individually (see paragraph 21) may be aggregated.

21. Selecting fiduciary activities to be presented individually requires judgment. The preparer should consider both quantitative and qualitative criteria. Acceptable criteria include but are not limited to: quantitative factors such as the percentage of the reporting entity's fiduciary net assets or inflows; and qualitative factors such as whether a fiduciary activity is of immediate concern to **beneficiaries**, whether it is politically sensitive or controversial, whether it is accumulating large balances, or whether the information provided in the fiduciary note disclosure would be the primary source of financial information for the public.

22. If separate audited financial statements are issued for an individual fiduciary activity that is presented individually in accordance with the criteria described in the preceding paragraph,

[12] To determine program management responsibility, Federal component entities should consider the legislation authorizing the activity; the Memorandum of Understanding that establishes responsibilities; and the provisions of SFFAC 2, *Entity and Display*.

a. The fiduciary note should disclose the basis of accounting used and auditor's opinion on the current or most recent financial statements. If the auditor's opinion was not unqualified, the fiduciary note also should disclose the reason(s) stated by the auditors and refer the reader to the audit opinion for further information.

b. The note disclosure should provide information on how the reader can obtain a copy of the financial statements and the audit opinion thereon.

23. In the initial year of implementation, prior year information should not be displayed. In the reporting periods following the initial year of implementation, prior period amounts should be displayed.

24. Notes to the financial statements are an integral part of the basic financial statements, essential for complete and fair presentation in conformity with generally accepted accounting principles for the Federal Government.

Financial Report of the United States Government

25. Reporting on fiduciary activities is required in two notes to the financial statements. The note disclosing significant accounting policies[13] should include, at a minimum, a statement that: "Fiduciary assets are not assets of the Federal Government and are not recognized on the balance sheet of the U.S. Government. See Note xx, Fiduciary Activities."

26. In the consolidation process, a distinction must be made between Federal component entities' Fund Balance with Treasury (FBWT) recognized on the balance sheet at the component entity level and the FBWT attributable to fiduciary activities (fiduciary FBWT) reported by Federal component entities in a note disclosure. The liability for fiduciary cash held as FBWT should be recognized as a liability on the Government-wide balance sheet. The liability for fiduciary investments in Treasury securities should be recognized on the Government-wide balance sheet as debt held by the public.

27. The fiduciary note disclosure should include a definition of fiduciary activities, a description of the nature of the Federal Government's fiduciary activities, a list of component entities responsible for fiduciary assets, and the total amount of fiduciary net assets for each responsible component entity. Aggregation of component entities with immaterial amounts of fiduciary net assets is permitted.

[13] A note disclosing "Significant Accounting Policies" is a requirement of the Office of Management and Budget (OMB). This disclosure is currently listed as Note 1 in "Form and Content of the Performance and Accountability Report issued as Part A of OMB Circular A-136.

28. In the initial year of implementation, prior year information should not be displayed. In the reporting periods following the initial year of implementation, prior period amounts should be displayed.

29. The note disclosure should refer the reader to component entity financial statements for additional information.

30. Notes to the financial statements are an integral part of the basic financial statements, essential for complete and fair presentation in conformity with generally accepted accounting principles for the Federal Government.

Effect on Current Standards

31. This standard affects current standards for reporting non-entity assets. Paragraphs 26 and 29 of SFFAS 1, *Accounting for Selected Assets and Liabilities*, are amended as follows:

[26] Both entity assets and non-entity assets under an entity's custody or management should be reported in the entity's financial statements**, except for non-entity assets meeting the definition of fiduciary assets, which should not be recognized on the balance sheet, but should be disclosed in accordance with the provisions of SFFAS 31, *Accounting for Fiduciary Activities.*** Non-entity assets ~~reported in~~ **recognized on** an entity's ~~financial statements~~**balance sheet** should be segregated from entity assets. An amount equal to non-entity assets **recognized on the balance sheet** should be recognized as a liability (due to Treasury or other entities)~~ in the entity's financial statements~~.

[29] ***Non-entity cash.*** Non-entity cash is cash that a federal entity collects and holds on behalf of the U.S. Government or other entities. In some circumstances, the entity deposits cash in its accounts in a ~~fiduciary~~ **custodial** capacity for the U.S. Treasury or other **federal component** entities**, or in a fiduciary capacity for non-federal parties.**

(a) Non-entity cash **recognized on the balance sheet** should be reported separately from entity cash.

(b) Non-entity cash meeting the definition of a fiduciary asset should not be recognized on the balance sheet, but should be disclosed in accordance with the provisions of SFFAS 31, *Accounting for Fiduciary Activities.*

32. This standard affects current standards that define Fund Balance with Treasury. Paragraph 31 of SFFAS 1 is amended as follows:

[31] 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. ~~Fund balance with Treasury~~ **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** ~~a fund balance with Treasury~~ **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.**

33. Paragraphs 37 and 38 of SFFAS 1 are amended, and a new paragraph is added, as follows:

[37] Disclosure should be made to distinguish ~~two~~ **three** categories of funds within ~~the entity's fund balance with Treasury~~ **FBWT reported on the entity's balance sheet**: the obligated balance not yet disbursed**,** ~~and~~ the unobligated balance**, and non-budgetary FBWT**. The obligated balance not yet disbursed is the amount of funds against which budgetary obligations have been incurred, but disbursements have not been made.

[38] The unobligated balance is the amount of funds available to an entity against which no claims have been recorded. Unobligated balances are generally available to a federal entity for specific purposes stipulated by law. Unobligated balances may also include balances in expired/canceled accounts that are available only for approved adjustments to prior obligations. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Disclosure should be provided on such restrictions. **Non-budgetary FBWT includes unavailable receipt accounts, clearing accounts and other accounts that do not represent budget authority, as well as non-entity FBWT that is recognized on the balance sheet.**

[New Paragraph] In addition to entity and non-entity FBWT that is recognized on the balance sheet, a federal entity may also administer fiduciary FBWT on behalf of non-federal entities or individuals. Fiduciary FBWT is not recognized on the balance sheet, but is subject to separate disclosure requirements. For disclosure requirements for fiduciary FBWT, see SFFAS 31, *Accounting for Fiduciary Activities*.

34. This standard affects current standards dealing with fiduciary activity and fiduciary relationships in SFFAS 7, *Accounting for Revenue and Other Financing Sources*. Paragraphs 83-87 and 370 of SFFAS 7 are rescinded. In addition, paragraphs 142 and 276 of SFFAS 7 are amended as follows:

[142] MMS collects this revenue ~~**acting as an agent for**~~ **<u>and distributes it to</u>** the recipients designated by law: the Treasury, certain entities within the Government to which amounts are earmarked, the states, and Indian tribes and allottees. ~~Therefore,~~ MMS should account for ~~the~~ exchange revenue **<u>it collects as an agent for the U.S. Treasury or other federal component entities</u>** as a custodial activity, which is an amount collected **<u>or to be collected</u>** for other~~s~~ **<u>federal entities,</u>** in the same way as the Internal Revenue Service accounts for the nonexchange revenue that it collects. **<u>MMS collection activity for non-federal entities may meet the definition of fiduciary activity and, if so, should be accounted for in accordance with the requirements of SFFAS 31, *Accounting for Fiduciary Activities.*</u>** Because the revenue collected by MMS is exchange revenue, it should be recognized and measured under the exchange revenue standards when the rents, royalties, and bonuses are due pursuant to the contractual agreements.

[276] ~~**MMS should instead account for the exchange revenue as a custodial activity.**~~ MMS collects rents, royalties, and bonuses ~~acting as an agent on behalf of~~ **<u>and distributes the collections to</u>** the recipients designated by law: the General Fund, certain entities within the Government to which amounts are earmarked, the states, and Indian tribes and Allottees. **<u>MMS collection activity for non-federal entities may meet the definition of fiduciary activity and, if so, should be accounted for in accordance with the requirements of SFFAS 31, *Accounting for Fiduciary Activities.*</u>** The amounts of revenue should be recognized and measured under the exchange revenue standards when they are due pursuant to the contractual agreement.

35. This standard also amends paragraphs 84 and 102 of SFFAC 2, *Entity and Display*, as follows:

[84] The elements most likely to be presented in the balance sheet of a Federal suborganization/organization, program, or the entire government would be as follows:

- **Fund Balance with Treasury.** This represents the amount in the entity's accounts with the **<u>U.S.</u>** Treasury that is available only for the purpose for which the funds were appropriated. It ~~would~~ **<u>may</u>** also include balances held by the entity in the capacity of a banker or agent for others. **<u>However, Fund Balance with Treasury (FBWT) meeting the definition of fiduciary FBWT should not be recognized on the balance sheet, but should be disclosed in accordance with the provisions of SFFAS 31, *Accounting for Fiduciary Activities.*</u>** ~~This classification would not be included in the financial statements of the U.S. Government.)~~

[102] Custodial collections do not include deposit funds, i.e., amounts held temporarily by the government (e.g., bidders' earnest money or guarantees for performance) or amounts held by the Government as an agent for others~~,~~ (e.g., state income taxes withheld from

Federal employees' salaries that are to be transferred to the states~~.~~)**.** ~~Both of t~~**T**hese types of collections ~~can be considered assets and liabilities until they are returned to the depositor or forwarded to the organization entitled to the funds~~ **should be reported in accordance with the provisions of SFFAS 31, *Accounting for Fiduciary Activities***.

36. Interpretation No. 1, *Reporting on Indian Trust Funds in General Purpose Financial Reports of the Department of the Interior and in the Consolidated Financial Statements of the United States Government: An Interpretation of SFFAS 7*, is rescinded.

Effective Date

37. This standard is effective for periods beginning after September 30, 2008. In the initial year of implementation, comparative information should not be restated. Earlier adoption is prohibited.

The provisions of this statement need not be applied to immaterial items.

Appendix A: Basis for Conclusions

This appendix discusses some factors considered significant by the Board in reaching the conclusions in this standard. It includes the reasons for accepting certain approaches and rejecting others. Some factors were given greater weight than other factors.

The guidance enunciated in the standards - not the material in this or other appendices - should govern the accounting for specific transactions, events or conditions.

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. Within the text of the Statements, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

Outreach activities

38. FASAB published the revised[14] exposure draft (ED), *Accounting for Fiduciary Activities*, on June 27, 2005. Upon release of the ED, notices and/or press releases were provided to: the Federal Register; the FASAB News, the Journal of Accountancy, AGA Today, the CPA Journal, Government Executive, the CPA Letter, Government Accounting and Auditing Update, the CFO Council, the Financial Statement Audit Network, the Federal Financial Managers Council, and committees of professional associations generally commenting on exposure drafts in the past. Copies of the ED and letters requesting comments were also sent to individuals who spoke at the October 2003 public hearing for the original ED, as well as to the Federal Retirement Thrift Investment Board.

39. During the comment period, FASAB staff also gave informational presentations at the 15th Annual Government Financial Management Conference sponsored by Treasury Agency Services, and at July 2005 meetings of the Financial Statement Audit Network, the OMB

[14] The first exposure draft was issued on April 23, 2003. Issues raised by respondents to that exposure draft caused the Board to revise its proposal.

Form and Content Work Group, the Greater Washington Society of CPAs, and the U.S. Standard General Ledger Board's Issues Resolution Committee. A public hearing was also held on August 17, 2005.

Comments Received

40. The Board did not rely on the number in favor of or opposed to a given position. Information about the respondents' majority view is provided only as a means of summarizing the comments. The Board considered the arguments in each response and weighed the merits of the points raised. The respondents' comments are summarized below.

41. Fourteen written responses were received from the following sources:

Comment letters and/or oral testimony provided by:	Federal (Internal)	Non-Federal (External)
Users, academics, others		3
Auditors	3	
Preparers and financial managers	8	

42. Note: The response from one Federal agency's Office of the Inspector General listed above under "auditors," noted that the response represented the consensus expressed by the agency's Office of the Chief Financial Officer as well as the agency's auditors.

43. Also, one Federal agency wrote that it had no comments because the agency's funds are primarily earmarked funds rather than fiduciary.

44. At the public hearing held on August 17, 2005, representatives from two Federal agencies provided oral statements and answered questions from the Board.

Summary of Comments

45. The majority of respondents agreed with the definition of fiduciary activities, the proposed reporting requirements, and the exclusions from the reporting requirements. Other issues raised by respondents included how to report on fiduciary activities that issue separate audited financial statements; the ownership interest(s) for seized assets; the appropriate basis of accounting for fiduciary activities and the effective date of the standard.

Definition

46. The Board believes that the substance of a transaction, rather than its form, should be the determining factor in how it is reported. Accordingly, this standard provides a definition and

characteristics for fiduciary activity and does not provide lists of specific funds or fund groups. Some respondents have noted that often fiduciary activities are managed through the establishment of a deposit fund. Therefore, the following section is intended to assist Federal financial managers in understanding the role of deposit funds.

The Role of Deposit Funds

47. Federal component entities report budgetary and proprietary transactions to the OMB and the Treasury FMS using “fund account symbols,” which are sub-components of Federal reporting entities. Fund account symbols are assigned by the Treasury FMS in collaboration with the OMB. Based upon certain characteristics, fund account symbols are classified into “fund groups.” For example, “deposit funds” are a fund group for monies that do not belong to the Federal Government.[15] The OMB classifies deposit funds as non-budgetary activities and excludes deposit funds from the Federal budget.[16] Within the “deposit fund” group established by the Treasury FMS, there are three distinct types: (a) monies withheld from Government payments for goods and services received, including payroll withholdings and garnishments; (b) monies the Government is holding awaiting distribution based on a legal determination or investigation; and (c) deposits received from outside sources for which the Government is acting solely as a banker, fiscal agent or custodian.[17] Although some fiduciary activities may be recorded and reported in deposit funds, the use of a deposit fund for an activity does not automatically indicate that the activity meets the definition of fiduciary in this standard. The activity in each deposit fund should be reviewed to determine whether it meets the definition and characteristics of a fiduciary activity in this standard. Also, if an activity is not reported in a deposit fund, that fact does not necessarily mean that the activity does not meet the definition of fiduciary in this standard. Each activity must be evaluated based upon whether or not it meets the definition of a fiduciary activity in this standard.

Exclusions

48. Payroll withholdings and garnishments appear to meet the definition of fiduciary activities. When an employer withholds an amount from an employee’s wages, the employer has a responsibility to forward those amounts to the required recipient. However, this standard excludes payroll withholdings and garnishments from the reporting requirements for

[15] Treasury Financial Manual (TFM) Volume 1, Part 2, Section 1535, available on the Internet at http://www.fms.treas.gov/tfm/vol1/index.html

[16] See FY 2006 U.S. Budget, *Analytical Perspectives*, pp. 372, 377 and 378-379.

[17] TFM, Section 1535.

fiduciary activities because payroll withholdings and garnishments are similar to other unpaid costs of operations and do not warrant special reporting. Because of the routine operational nature and short duration of the activity, the Board does not believe that fiduciary reporting of payroll withholdings and garnishments would produce useful information.

49. Similarly, Federal component entities may hold advances received from customers for future sales of goods or services. Such advances represent unearned revenue. One Federal agency, in its written response and oral testimony, noted that certain advances received appear to meet the definition of fiduciary activity. However, this standard excludes unearned revenue from the fiduciary reporting requirements because unearned revenue is a routine operational activity and the Board believes that fiduciary reporting of unearned revenue is not warranted.

50. The standard clarifies the fact that seized property is not subject to the fiduciary reporting requirements because seized assets do not meet the definition of fiduciary activities. In seizure-for-forfeiture the Government is asserting its right to the property, and is taking action to eliminate, rather than to uphold, the ownership interest of the non-Federal party.

Reporting Standards

51. The Board discussed the implications of recognizing fiduciary assets on the balance sheet or on a separate principal statement. The Board considered whether recognizing fiduciary assets on the balance sheet might imply not only managerial control over the assets, but also that the benefit of the assets accrue to the Federal component entity. The Board decided that fiduciary assets should not be recognized on the balance sheet of the Federal component entity because they are not assets of either the Federal component entity or the Federal Government as a whole. The Board considered whether fiduciary activity should be recognized in a separate principal financial statement, but decided that a note disclosure would be preferable, provided that the note disclosure contains adequate information regarding fiduciary assets and activities.

Basis of Accounting

52. Some members of the Board have dissented to the standard and their reasons are presented at paragraph 63. These members oppose requiring the disclosures to be measured in accordance with generally accepted accounting principles. Two reasons are offered in the written dissent.

53. Some of the members dissenting stated that the Board should not impose requirements on reporting information related to “non-Federal entities.” However, a majority of the Board believe that fiduciary activities as defined in this standard are Federal program activities,

carried out by Federal employees often with federal funding of administrative expenses. The amount and sources of financing fiduciary activities are determined by Congress. The assenting Board ;members believe that although the assets in fiduciary funds are non-federal assets, the responsibility for managing the assets is a federal responsibility and the funds holding the assets are federal accounting entities established to carry out that responsibility.

54. A major objective of general purpose financial reporting in accordance with generally accepted accounting principles is to meet the needs of users who have limited access to internal documents or statements and lack the ability to demand that desired information be provided. Most citizens and beneficiaries of fiduciary funds lack such ability.

55. Some of the members dissenting stated that the cost-benefit of the requirement to disclose information in conformity with generally accepted accounting principles has not been demonstrated. However, a majority of the Board believes that the need for accountability by public officials is sufficient in its own right to justify the requirement to conform to generally accepted accounting principles. Further, the Board notes that:

    a. Current standards (SFFAS 7, paragraphs 83-87) already require accrual accounting for fiduciary activities; therefore, this standard is merely carrying forward existing requirements and is not introducing new costs.

    b. This standard requires the same basis of accounting that is required for Federal assets, liabilities and flows. Accounting systems on that basis are routinely in operation throughout the government and pose no unusual costs for fiduciary activities.

    c. The Board is permitting generally accepted accounting principles for any domain (FASAB, Governmental Accounting Standards Board, or Financial Accounting Standards Board) to be used. This should mitigate any costs for fiduciary activities currently reporting with a different source of generally accepted accounting principles.

    d. The Board is permitting the use of information based on a fiscal year-end other than the fiscal year-end used by the Federal Government. This will mitigate the cost for fiduciary activities currently producing audited financial statements on a different fiscal year.

Custodial Activity Differs from Fiduciary Activity

56. The Statement of Custodial Activity is not amended by this standard. The Statement of Custodial Activity is appropriate for custodial collections, which are amounts collected by one Federal component entity on behalf of another Federal component entity and associated with that other entity in the Federal budget. For example, the Internal Revenue Service (IRS) and the Bureau of Customs and Border Protection (Customs) make

collections of income taxes and customs duties, respectively, and they are deposited into designated accounts of the Treasury, which are unavailable to either for use in their operations.[18] The IRS and Customs would report such collections on a Statement of Custodial Activity and the responsible program entity would recognize revenue and the related assets. Thus, the Statement of Custodial Activity is appropriate for those Federal component entities whose primary mission is collecting taxes or other Federal revenues, particularly sovereign revenues that are intended to finance the entire Government's operation, or at least the programs of other Federal component entities, rather than their own activities.[19] Guidance with respect to the Statement of Custodial Activity is provided in Statement of Federal Financial Accounting Concepts (SFFAC) 2 and SFFAS 7.

57. Reporting requirements for fiduciary activities are different from reporting requirements for custodial activities. Although the inflows and assets reported on the Statement of Custodial Activity are not inflows or assets of the Federal component entity, they are inflows and assets of the Federal Government as a whole. In contrast, fiduciary inflows and assets are not inflows of net assets to the Federal Government. Accordingly, fiduciary activities are disclosed in a note and are not recognized on the Statement of Custodial Activity or any other principal financial statement.

58. Because fiduciary assets are not recognized on the balance sheet of the reporting entity, there is no offsetting liability, as there is for custodial assets. The fiduciary note discloses the beneficiaries' equity as "fiduciary net assets."

Effective Date

59. This standard requires that fiduciary assets and liabilities be disclosed in a note, and should not be recognized on the face of the balance sheet. In order to facilitate the preparation of the Financial Report of the U.S. Government, a uniform implementation date for all Federal component entities is necessary. Accordingly, early implementation of this standard is prohibited, and Federal component entities should not restate prior periods in the initial year of implementation. The effective date is intended to allow Federal agencies adequate time to comply with the reporting requirements.

[18] Implementation Guide to Statement of Financing in Statement of Federal Financial Accounting Standards 7, *Accounting for Revenue and Other Financing Sources*: Detailed Information on the Statement of Financing, par. 25.

[19] SFFAC 2, par. 101.

Effect on Existing Standards

60. The Board promulgates standards for activities that are defined by specific characteristics, and not by how an activity may be labeled in the budget or reported to the Treasury Financial Management Service. Paragraph 370 of SFFAS 7 addressed the group of funds designated as “deposit funds” as follows:

> [370] Deposit funds are accounts outside the budget that record amounts that the Government (a) holds temporarily until ownership is determined or (b) holds as an agent for others. The standards and guidance in this Statement do not apply to deposit funds except insofar as a particular deposit fund may be classified as part of a Federal reporting entity or a disclosure may be required due to a fiduciary relationship on the part of a Federal reporting entity toward a deposit fund.

61. The Board decided that this paragraph was not sufficiently clear that all deposit funds that are not disclosed in the fiduciary note should be recognized in the principal financial statements of the Federal component entity. Accordingly, paragraph 370 of SFFAS 7 is rescinded by this standard and an explanatory sentence was added to paragraph 7 in the introduction section of this standard. All deposit funds that do not meet the definition of fiduciary activities and therefore are not disclosed in the fiduciary note must be recognized on the face of the financial statements.

Board Approval

62. This statement was approved by the Board with a vote of six members in favor of its issuance and four members, Messrs. Dacey, Patton, Reid and Zavada, opposing its issuance.

Dissents

63. Messrs. Dacey, Patton, Reid and Zavada dissented to this standard. Their dissent is presented below. Some members who voted to issue the standard agree with certain of the arguments posed by the dissenters but believe that, on balance, the standard is an improvement in Federal financial reporting.

Dissent of Messrs. Dacey, Patton, Reid and Zavada

63. Paragraph 16 of the proposed standard requires that information disclosed about fiduciary activities be presented on the basis of generally accepted accounting principles. Board members Robert Dacey, James Patton, Robert Reid, and David Zavada support disclosure of information on fiduciary activities, but disagree with this requirement. These members believe that, at a minimum, the words “and measured using the standards provided in

generally accepted accounting principles" should be deleted from paragraph 16 and replaced with words such as "and measured on the basis of accounting used to maintain or report the information." While these members do not disagree that generally accepted accounting principles (GAAP) financial reporting enhances the quality of reported financial information, they nonetheless disagree that the Board should require information related to fiduciary activities to be presented on a GAAP basis. The reasons for these views and the members supporting each of these reasons are as follows:

The Board Should Not Impose Requirements on Reporting Information Related to Non-Federal Entities

64. Board members James Patton and Robert Reid believe that the Board should not impose requirements on reporting information related to non-Federal entities, including the basis of accounting to be used in disclosures related to such non-Federal entities. Fiduciary activities, as defined in the proposed standard, represent activities of non-Federal entities. All entities are obligated to choose the basis of accounting that will be used to prepare financial information and whether such information will be audited, consistent with any legal and regulatory requirements. In some known instances and likely in others, information related to these non-Federal entities is not maintained or reported on a GAAP basis and/or are not audited.

65. Other organizations are positioned to require the basis of accounting to be used by the non-Federal entities that represent fiduciary activities to the Federal government, as well as require the information to be audited. The beneficiaries/owners that have an interest in the non-Federal entities' activities and oversight bodies that represent them and the respective Federal entities are best positioned to determine the basis of accounting and reporting and audit assurance that best meets their needs. For example, the beneficiaries/owners of the non-Federal entities may have agreements in place covering the basis of accounting used or the audit assurance to be provided. In addition, the basis of reporting and audit assurance can be determined by the courts, by statute or by policy.

66. In summary, the Board should not mandate disclosure of financial information on a basis of accounting that is different from the basis used to maintain or report information related to these non-Federal entities nor require that such information be audited on an individual fiduciary activity basis. However, as part of the current Federal entity project, the Board can reconsider whether certain or all entities representing fiduciary activities should be considered to be Federal entities, and therefore be required to follow Federal GAAP and be audited.

The Cost-Benefit of the Requirement Has Not Been Demonstrated

67. Board members Robert Dacey, Robert Reid, and David Zavada do not believe that it has been demonstrated that the requirement to disclose information in conformity with GAAP is cost-beneficial (i.e., benefits clearly exceed the additional costs that would be incurred.) As noted above, in some known instances and likely in others, information related to non-Federal entities that represent fiduciary activities to the Federal Government is not maintained or reported on a GAAP basis and/or are not audited.

68. In their response to the exposure draft, the Department of the Interior indicated that they were maintaining the Indian Trust Fund information on a basis of accounting that was consistent with trust activity of commercial banks and institutions and they questioned the benefit of converting the information to a Federal GAAP basis of accounting.

69. Requiring the Federal entities to report financial information on these non-Federal entities in their footnotes on a GAAP basis will incur additional costs, which could be substantial. Furthermore, requiring such disclosure will not require the non-Federal entity to maintain or report financial information on a GAAP basis of accounting. Financial information disclosed in the Federal entity financial statements that is different from information provided to fiduciary owners/beneficiaries and oversight bodies could result in confusion. Such confusion further decreases the benefit of the requirement to report fiduciary activities on a GAAP basis.

70. The disclosure of fiduciary activities in Federal financial statements is not designed to be the primary source of information to owners/beneficiaries of these non-Federal entities. Rather, such beneficiaries should receive information directly from the non-Federal entity or related Federal entity. In the case of the larger fiduciary activities, such information is provided or available, both at an aggregate and individual account holder level.

71. A primary purpose of disclosing fiduciary activities in a Federal entity's financial statements is to demonstrate the nature and extent of the Federal Government's fiduciary responsibilities and whether the Federal entity is adequately carrying out its fiduciary responsibilities. Therefore, disclosure of (1) information prepared on the basis of accounting used to maintain or report the financial information to beneficiaries/oversight bodies, (2) the basis of accounting used (including whether or not it was prepared on a Federal GAAP basis), (3) whether the information was audited, and (4) the type of opinion issued, provides sufficient information that users and oversight bodies (e.g., Congress, OMB) may use to determine the adequacy of Federal actions to discharge their fiduciary responsibilities. It has not been demonstrated that incurring additional costs to develop disclosures beyond these would provide significant benefits relative to the additional costs.

72. The nature and extent of all fiduciary activities have not been identified nor have the related costs to meet the requirements of the proposed standard. In addition to the major fiduciary activities discussed by the Board, there may be many other fiduciary activities for which Federal GAAP-based information is not maintained or reported and/or are not audited. Also, the cost of developing accrual-based information, if available, is unknown. In addition, an Interior official indicated that certain accruals, such as for royalties on the thousands of oil and gas leases held and for timber sales on behalf of the Indian trust funds are not readily determinable, and if estimated, would not be reliable. Therefore the relative magnitude of the ultimate cost of adopting this requirement is not known.

73. While a precise estimate of costs and a formal cost benefit analysis is not expected, the Board should consider the relative magnitude of costs before deciding whether a standard is cost beneficial. As part of this consideration, the Board should also consider the expected utility of the requirement (a disclosure in this instance), and alternatives for achieving the related objectives. In this instance, it has not been clearly demonstrated that the increased benefits exceed the related costs.

Appendix B: Glossary

[See consolidated Glossary in Appendix E of this document.]

Appendix C: Examples of Fiduciary Note Disclosure

1. Example of Fiduciary Note Disclosure for Federal Component Entity

The following illustrates the summary financial information required in paragraph 18.

Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold.

Fiduciary cash and other assets are not assets of the Federal Government and accordingly are not recognized on the balance sheet.

[Fiduciary Fund A] was authorized by the [*legislation]*, which authorized [*the component entity*] to collect *[type of collections*] on behalf of [*beneficiaries*]. Other fiduciary activities by [*the component entity*] include but are not limited to [*examples of fiduciary activities included in "other."*]

Department XYZ

Schedule of Fiduciary Activity

As of September 30, 2010 and 2009

	2010 Fiduciary Fund A	2010 Other Fiduciary Funds	2010 Total Fiduciary Funds	2009 Fiduciary Fund A	2009 Other Fiduciary Funds	2009 Total Fiduciary Funds
Contributions	$ 233,450	$ 116,550	$ 350,000	$ 200,000	$ 125,000	$ 325,000
Investment earnings	116,725	58,275	175,000	100,000	65,000	165,000
Gain (Loss) on disposition of investments, net	6,670	3,330	10,000	4,000	1,000	5,000
Disbursements to beneficiaries	(300,150)	(149,850)	(450,000)	(200,000)	(150,000)	(350,000)
Increases in fiduciary fund balances	56,695	28,305	85,000	104,000	41,000	145,000
Fiduciary net assets, beginning of year	1,674,000	1,041,000	2,715,000	1,570,000	1,000,000	2,570,000
Fiduciary net assets, end of year	$ 1,730,695	$1,069,305	$2,800,000	$1,674,000	$1,041,000	$2,715,000

Fiduciary Net Assets

As of September 30, 2010 and 2009

	2010 Fiduciary Fund A	2010 Other Fiduciary Funds	2010 Total Fiduciary Funds	2009 Fiduciary Fund A	2009 Other Fiduciary Funds	2009 Total Fiduciary Funds
FIDUCIARY ASSETS						
Cash and cash equivalents	$ 429,895	$ 391,559	$ 821,454	$ 250,000	$ 275,000	$ 525,000
Investments	1,300,000	677,746	1,977,746	1,424,000	766,000	2,190,000
Other assets	1,000		1,000			
Less: Accounts Payable	(200)		(200)			
TOTAL FIDUCIARY NET ASSETS	$ 1,730,695	$1,069,305	$ 2,800,000	$1,674,000	$1,041,000	$2,715,000

2. Example of Note Disclosure for the Government-wide Financial Report

The following illustrates the summary information required in paragraph 27.

Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold.

Fiduciary cash and other assets are not assets of the Federal Government and accordingly are not recognized on the balance sheet. Examples of the Federal Government's fiduciary activities include the Indian tribal and individual Indian trust funds, which are administered by the Department of the Interior, and the Thrift Savings Fund, which is administered by the Federal Retirement Thrift Investment Board.

The following Federal component entities were responsible for fiduciary net assets at September 30, 2010 and 2009. Detailed information is available in the financial statements of the Federal component entities. The Federal component entity websites are listed on page **##** of this document.

Schedule of Fiduciary Net Assets

	FY 2010	FY 2009
Department A	$ xxxxx	$ xxxxx
Department B	xxx	xx
Department C	xxxxx	xxxxx
Department D	xxxxxxx	xxxxxxx
All Other	x	x
Total	$ xxxxxxxxxxxxx	$ xxxxxxxxxxxxx

Appendix D: Pro Forma Transactions

Note: The following pro forma transactions illustrate how the information for the fiduciary note disclosure can be recorded in a component Federal entity's financial system utilizing the U.S. Government Standard General Ledger.[20] The approach illustrated utilizes several general ledger accounts that are linked to a note disclosure and not to line items in the principal financial statements. Component entities are also permitted to utilize a separate financial system for fiduciary activities. Transactions and balances that crosswalk to the fiduciary note disclosure are shaded.

Table of Illustrations

[20] Section 803(a) of the Federal Financial Management Improvement Act of 1996 (P.L. 104-208, Division A, Section 101(f), Title VIII) requires Federal agencies to implement the U.S. Government Standard General Ledger (USSGL) at the transaction level. Information about the USSGL can be found on the website of the Treasury Financial Management Service at www.fms.treas.gov/ussgl.

Illustration #4 – Federal component entity disburses interest earned to non-Federal party.

Illustration #5 – Closing entries

Illustration #6 – Effect of pro forma transactions on the Federal Component Entity's Financial Statements.

Illustration #7 – Effect of pro forma transactions on the consolidation worksheet for the U.S. Government-wide financial report.

Illustration #1 – Federal component entity receives and holds non-Federal party's cash.

	DR	CR
Federal Component Entity		
Fiduciary Fund Balance with Treasury (FBWT)	**1,500**	
Fiduciary Collections Received from Beneficiaries		**1,500**
To record fiduciary cash collected.		
Treasury General Fund Entity		
Treasury's Government-Wide Cash Account	1,500	
Treasury General Fund Liability for Fiduciary FBWT		1,500
To record cash received and held by component entity as Fiduciary FBWT.		

Illustration #2 – Federal component entity invests Fiduciary FBWT in Treasury securities.

2A Federal component entity invests FBWT in Treasury securities

Federal Component Entity		
Fiduciary Investments in Treasury Securities	**1,000**	
Fiduciary FBWT		**1,000**
To record fiduciary Treasury securities purchased.		
Treasury General Fund Entity		
Treasury General Fund Liability for Fiduciary FBWT/Component Entity	1,000	
Treasury General Fund's Liability for FBWT/Treasury Bureau of Public Debt		1,000
To record purchase of Treasury securities.		
Treasury Bureau of Public Debt Entity		
FBWT	1,000	
Liability for Fiduciary Treasury securities		1,000
To record sale of Treasury securities.		

2B Treasury Bureau of Public Debt receives an appropriation to fund interest expense

Treasury General Fund Entity

Treasury's Government-wide Cash Account	50	
Transfer-In from Federal Reserve		50
Treasury General Fund receives transfer of Federal Reserve earnings		
Appropriation Warrants Issued	50	
Treasury's Liability for FBWT/Bureau of Public Debt		50
Treasury issues appropriation warrant to the Bureau of Public Debt		

Treasury Bureau of Public Debt Entity

FBWT	50	
Appropriations Received[a]		50
To record appropriation received.		

2C Treasury Bureau of Public Debt pays interest on Treasury securities.

Treasury Bureau of Public Debt Entity

Interest expense	50	
FBWT		50
Unexpended Appropriations- Used	50	
Expended Appropriations		50
To record appropriation received and interest expense paid.		

Federal Component Entity

Fiduciary FBWT	**50**	
Interest revenue/Fiduciary		**50**
To record interest received on fiduciary investments.		

Treasury General Fund Entity

Treasury General Fund Liability for FBWT/Treasury Bureau of Public Debt	50	
Liability for Fiduciary FBWT/Component Entity		50
To record payment of interest by Treasury Bureau of Public Debt		

[a] Note: Accounting for appropriations requires additional budgetary entries that are not displayed here. For additional information, refer to the Treasury Financial Manual Standard General Ledger Supplement at www.fms.treas.gov/ussgl.

Illustration #3 – Federal component entity invests non-Federal party's assets in non-Treasury securities.

3A Federal component entity purchases non-Treasury securities on behalf of non-Federal party

Federal Component Entity

Fiduciary Investments in non-Treasury securities	**500**	
Fiduciary Fund Balance with Treasury		**500**

To record securities purchased on behalf of non-Federal parties.

Treasury General Fund Entity

Treasury's Liability for Fiduciary FBWT/Component Entity	500	
Treasury's Government-wide Cash Account		500

To record cash withdrawal.

3B Interest is received on non-Treasury securities and held as FBWT

Federal Component Entity

Fiduciary FBWT	**10**	
Interest Revenue/Fiduciary		**10**

To record interest received on fiduciary investments held outside of the U.S. Treasury.

Treasury General Fund Entity

Treasury Government-wide cash account	10	
Treasury General Fund Liability for Fiduciary FBWT/Component Entity		10

To record cash received and deposited as fiduciary FBWT.

Illustration #4 – Federal entity disburses interest earned to non-Federal beneficiaries

4. Disbursement to beneficiaries of interest earned.

Federal Component Entity		
Fiduciary Disbursements to Beneficiaries	**50**	
Fiduciary FBWT		**50**
Payment made to beneficiaries.		

Treasury General Fund Entity		
Treasury General Fund Liability for Fiduciary FBWT/Component Entity	50	
Treasury's Government-wide Cash Account		50
To record cash withdrawal.		

Illustration #5 – Closing Entries for Pro Forma Transactions Illustrated

Pre-closing trial balances after pro forma transactions:

	Component Entity	Treasury GF	Treasury BPD
Assets			
Fiduciary FBWT	**10**		
FBWT (Non-Fiduciary)			1,000
Government-wide Cash		1,010	
Fiduciary Investments in Treasury Securities	**1,000**		
Fiduciary Investments in non-Treasury Securities	**500**		
Liabilities			
Liability for Fiduciary FBWT		(10)	
Liability for FBWT		(1,000)	
Liability for Fiduciary Investments in Treasury Securities			(1,000)
Net Position			
Fiduciary Net Assets			
Unexpended Appropriations- Appropriations Received			(50)
Unexpended Appropriations- Used			50
Revenues and Other Financing Sources			
Fiduciary Collections- Contributions from Beneficiaries	**(1,500)**		
Interest Revenue/Fiduciary	**(60)**		
Transfer-In from Federal Reserve		(50)	
Expended Appropriations			(50)
Expenses and Miscellaneous Items			
Interest Expense			50
Fiduciary Disbursements to Beneficiaries	**50**		
Appropriation Warrants Issued		50	
Totals	0	0	0

Closing entries:

Federal Component Entity		
Fiduciary Collections- Contributions from Beneficiaries	**1,500**	
Interest Revenue/Fiduciary	**60**	
Fiduciary Disbursements to Beneficiaries		**50**
Fiduciary Net Assets		**1,510**
Treasury Bureau of Public Debt Entity		
Cumulative Results of Operations	50	
Interest Expense		50
Unexpended Appropriations- Received	50	
Unexpended Appropriations- Cumulative		50
Unexpended Appropriations- Cumulative	50	
Unexpended Appropriations- Used		50
Expended Appropriations	50	
Cumulative Results of Operations		50
Treasury General Fund Entity		
Cumulative Results of Operations	50	
Appropriation Warrants Issued		50
Transfer-In of Federal Reserve Revenue	50	
Cumulative Results of Operations		50

Post-closing trial balances after pro forma transactions:

	Component Entity	Treasury GF	Treasury BPD
Assets			
Fiduciary FBWT	**10**		
FBWT (Non-Fiduciary)			1,000
Government-wide Cash		1,010	
Fiduciary Investments in Treasury Securities	**1,000**		
Fiduciary Investments in non-Treasury Securities	**500**		
Liabilities			
Liability for Fiduciary FBWT		(10)	
Liability for FBWT		(1000)	
Liability for Fiduciary Investments in Treasury Securities			(1,000)
Net Position			
Fiduciary Net Assets	**(1510)**		
Totals	0	0	0

Illustration #6 – Illustration of Federal Component Entity Note Disclosure of Pro Forma Transactions

FEDERAL COMPONENT ENTITY SCHEDULE OF FIDUCIARY ACTIVITY FOR THE PERIOD ENDED SEPTEMBER 30, 20xx		FY 20x2		FY 20x1
Contributions from Beneficiaries		1,500		-
Interest on investments		60		-
Disbursements to Beneficiaries		(50)		-
Increase in Fiduciary Assets		1,510		-
Fiduciary Net Assets, Beginning of Year		-		-
Increase in Fiduciary Assets		1,510		-
Fiduciary Net Assets, End of Year		1,510		-
FIDUCIARY NET ASSETS AS OF SEPTEMBER 30, 20xx				
		FY 20x2		FY 20x1
Cash and Cash Equivalents	$	10	$	-
Investments in Treasury Securities		1,000		-
Other Investments		500		-
Total Net Assets	$	1,510		-

NOTE: The illustration above displays only the impact of the pro forma transactions upon the fiduciary note disclosure. See Appendix C for a more detailed illustration of the fiduciary note disclosure.

Illustration #7 – Effect of Pro Forma Transactions upon Elimination Worksheet for Government-wide reporting

IMPACT ON GOVERNMENT-WIDE ELIMINATION WORKSHEET	**Federal Component Entity Note Disclosure**	**Treasury Bureau of Public Debt**	**Treasury General Fund**	**Eliminations**	**Government-wide Balance Sheet**	**Government-wide Note Disclosure**
ASSETS						
Fiduciary Fund Balance with Treasury	*$ 10*	$ -	$ -	$ -	$ -	*$ 10*
Fund Balance with Treasury	*-*	1,000	-	(1,000)		*-*
Fiduciary Investments in Treasury Securities	*1,000*	-	-	-		1,000
Fiduciary Investments in non-Treasury securities	*500*	-	-	-		500
Treasury's Government-wide cash account	*-*	-	1,010	-	1,010	
Total assets	*$ 1,510*	$ 1,000	$ 1,010	$ (1,000)	$ 1,010	*$ 1,510**
LIABILITIES						
Treasury's Liability for Fiduciary FBWT	*$ -*	$ -	$ 10	$ -	$ 10	$ -
Treasury's Liability for FBWT	*-*	-	1,000	(1,000)		
Treasury BPD Liability for Fiduciary Investments	*-*	1,000	-	-	1,000	
NET POSITION						
Fiduciary net assets	*$ 1,510*	$	-	-		*1,510*
Total liabilities and net position	*$ 1,510**	$ 1,000	$ 1,010	$ (1,000)	$ 1,010	*$ 1,510**

* Note:

- The Federal Component Entity's fiduciary assets, liabilities and net assets (shaded and in italics in the above table) are reported in the fiduciary note disclosure only, and not recognized on the face of the Component Entity's balance sheet or on the Government-wide balance sheet.
- Treasury General Fund liability for fiduciary FBWT is not eliminated.
- Treasury BPD liability for fiduciary securities is not eliminated.
- Note disclosure of fiduciary funds is required at the FR level.

The illustration above displays only the impact of the pro forma transactions upon the eliminations for government-wide reporting. See Appendix C for an illustration of the fiduciary note disclosure.

Appendix E: List of Abbreviations

FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FR	Financial Report of the U.S. Government
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
OMB	Office of Management and Budget
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
Treasury BPD	Treasury Bureau of Public Debt
Treasury FMS	Treasury Financial Management Service
U.S.	United States
USSGL	U.S. Government Standard General Ledger