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Sent: Monday, January 31, 2011 3:30 PM

To: FASAB

Cc: MELANIE CENCI; Close, Kevin; CONNIE CONSTANCE (NFC)

Subject: ED Comments - Accounting for Federal Natural Resources Other than Oil and Gas

Attached are US Forest Service comments on exposure draft, "Accounting for Federal Natural Resources Other than Oil and Gas."

Connie Constance

USDA/OCFO-FO/CRD

Forest Service Comments

Response to Questions: Exposure Draft, Technical bulletin 2011-1, Accounting for Federal Natural Resources Other Than Oil and Gas

Q1. Do you agree or disagree with the Board's decision to explicitly apply the requirements of SFFAS 38, Accounting for Federal Oil and Gas Resources, to all federal natural resources under lease, contract or other long-term agreement and reasonable estimable as of the reporting date? The Board believes that being explicit will result in more complete, consistent, and useful reporting of federal natural resources. Explain the reason for your position in as much detail as possible.

Response: *While the Forest Service agrees it is always better to be explicit in what requirements apply to an agency, we disagree with the Board's decision to apply the subject requirements to the Forest Service for the reporting of mineral resources. The Forest Service's charge is to manage the surface effects of mineral development rather than the mineral resource itself. As such, the agency has neither the authority nor the technical staff to independently determine the proved mineral reserves or the revenues derived from its use.*

Q2. Appendix B: Federal Natural Resources is a listing of various categories/types of natural resources. It is intended as a general guide to the universe of natural resources that were considered during development of this technical bulletin.

- a. Which categories/types of federal natural resources, if any, result in annual receipts and/or collections that would be material to a federal reporting entity over the life of the related lease, contract, or other-term agreement?

Response: *Leasable minerals (both solid and fluid, including renewable geothermal energy) result in annual receipts and/or collections from the National Forests; however the Department of Interior's Office of Natural Resources Revenue (ONRR) is responsible for collecting and disbursing those funds, not the Forest Service.*

Locatable minerals do not result in annual receipts and/or collections to a federal entity as there are no provisions in law for the federal government to receive revenue from producers of locatable minerals.

Mineral material and timber sales from the National Forests result in annual collections by the Forest Service.

- b. Are there any categories/types of federal natural resources omitted from the listing in Appendix B which result in annual receipts and/or collections that would be considered material to a federal reporting entity over the life of the related lease, contract, or other long-term agreement? If so, please explain.

Response: *Mineral resources are adequately addressed by the categories/types listed in Appendix B.*

- c. Are there any categories/types of federal natural resources that a federal agency currently recognizes as an asset on the face of the balance sheet/statement of financial position? If so, please explain.

Q3. This proposed technical bulletin applies the same valuation guidance contained in SFFAS 38 for federal oil and gas proved reserves to all federal natural resources under lease, contract or other long-term agreement and reasonably estimable as of the reporting date. Do you agree or disagree that the valuation guidance is sufficient? Please explain the reasons for your position in as much detail as possible.

Response: *As stated earlier, the Forest Service manages surface effects of mineral development and not the mineral resources themselves. In order to comply with the subject guidance, the Forest Service would be dependent upon other federal agencies within the Department of the Interior (U.S. Geological Survey and Office of Natural Resources Revenue) to provide information on the amount and value of mineral resources on the National Forests. Accordingly, we defer to those agencies on the adequacy of the proposed valuation guidance.*

Q4. Please comment specifically on the reasonableness of the proposed technical bulletin from each of the following three perspectives:

- a. Cost – Considering the preparer and audit perspective, would any federal agency incur significant costs to implement the requirements of this proposed technical bulletin? Please explain the reason for your position in as much detail as possible.
- b. Timing – Considering that the proposed requirements would be reported in RSI, is a fiscal year 2012 implementation date reasonable? Please explain the reason for your position in as much detail as possible.
- c. Benefits – Considering the user perspective (internal as well as external) would the benefits of this proposed technical bulletin outweigh the costs of implementation? Please explain the reason for your position in as much detail as possible.

Response: *Similar to our response for Question 3, since the Forest Service would be dependent on information provided by agencies within the Department of the Interior to respond to the mineral information requested by the proposed technical bulletin, we defer to their response on the reasonableness of the subject document from a cost, timing, and benefits perspective.*