

**From:** Smutny, Tammy L [\[mailto:Tammy.L.Smutny@hud.gov\]](mailto:Tammy.L.Smutny@hud.gov)

**Sent:** Tuesday, February 01, 2011 7:24 AM

**To:** FASAB

**Subject:** Resending: Accounting for Federal Oil and Gas Resources/Federal Natural Resources Exposure Drafts (Deferral of the Effective Date of SFFAS38 and Technical Bulletin 2011-1)

I am resending the email submission below because Microsoft Exchange sent a "delivery delayed" message at 6:30pm yesterday. I am sorry for the delayed submission of our comments.

Tammy L. Smutny  
Financial Policies & Procedures Division  
Office of the Chief Financial Officer

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**From:** Smutny, Tammy L

**Sent:** Monday, January 31, 2011 2:09 PM

**To:** 'fasab@fasab.gov'

**Cc:** SIDARI, David P; Vaiana, Jerome A; Tucker, Gerald A

**Subject:** Accounting for Federal Oil and Gas Resources/Federal Natural Resources Exposure Drafts (Deferral of the Effective Date of SFFAS 38 and Technical Bulletin 2011-1)

Thank you for the opportunity to provide comments on the above exposure drafts. Attached are the Department of Housing and Urban Development's comments for these exposure drafts. Please direct any questions concerning our response to me at the number listed below.

Tammy L. Smutny  
Financial Policies & Procedures Division  
Office of the Chief Financial Officer

## Accounting for Federal Natural Resources Other than Oil and Gas - Technical Bulletin 2011-1: Exposure Draft

### Executive Summary

This technical bulletin is intended to clarify that federal entities should report the value of all federal natural resources under lease, contract or other long-term agreement in required supplementary information (RSI), consistent with the guidance contained in Statement of Federal Financial Accounting Standards 38, *Accounting for Federal Oil and Gas Resources*. Accounting for and reporting information about federal natural resources that represent federal assets would enhance accountability for and stewardship over assets of the federal government. Accounting for the federal government's natural resources as assets and reporting information on those assets as part of RSI would provide transparency regarding the value and changes in value of these significant assets and result in information that contributes to meeting federal financial reporting objectives.

### Questions for Respondents

Q1. This proposed technical bulletin would 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 reasonably estimable as of the reporting date (see paragraphs 9 and 16). The Board believes that explicitly applying SFFAS 38 to all federal natural resources is preferable to remaining silent and relying on preparers and auditors to follow the hierarchy of generally accepted accounting principles and apply SFFAS 38 to other federal natural resources through analogy. The Board believes that being explicit will result in more complete, consistent, and useful reporting of federal natural resources. Do you agree or disagree with the Board's decision? Please explain the reason for your position in as much detail as possible.

Response: We agree that federal entities should apply the general principles of SFFAS 38 beyond just oil and gas to only those federal natural resources *under lease, contract or other long-term agreement and reasonably estimable as of the reporting date*. This is consistent with SFFAS 38 requirements for reporting on federal oil and gas proved reserves.

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 (see Appendix B).

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 long term agreement?

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.

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.

Response: We currently do not have enough experience in this area to comment.

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 (see paragraphs 23 through 27). 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: We agree that the valuation guidance is sufficient, because it is based on the approximate **present value** of future receipts of federal natural resources under lease, contract or other long-term agreement and reasonably estimable as of the reporting date. The reporting entity is encouraged to use estimates that reflect its judgment about the outcome of events based on past experience and expectations about the future. The reporting entity is also encouraged to review assumptions about future cash flows used generally in the federal government as evidenced by sources independent of the reporting entity.

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: We currently do not have enough experience in this area to comment.