



Federal Accounting Standards Advisory Board

**Accounting for Federal Natural Resources
Other than Oil and Gas**

Technical Bulletin 2011-1

Exposure Draft

Written comments are requested by January 31, 2011

January 5, 2011

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

FASAB has authorized its staff to prepare FASAB technical bulletins to provide timely guidance on certain financial accounting and reporting problems, in accordance with the Board’s rules of procedure, as amended and restated through December 2003, and the procedures described in FASAB Technical Bulletin 2000-1, “*Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance.*” The provisions of technical bulletins need not be applied to immaterial items.

Additional background information is available from the FASAB or its website:

- “Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board.”
- “Mission Statement: Federal Accounting Standards Advisory Board,” exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters, and other items of interest are posted on FASAB’s website at: www.fasab.gov.

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January 5, 2011

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

The Federal Accounting Standards Advisory Board (FASAB or the Board) is requesting comments on the exposure draft of a proposed technical bulletin entitled, *Accounting for Federal Natural Resources Other than Oil and Gas*. Specific questions for your consideration begin on page 6 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by January 31, 2011.

All comments received by the FASAB are considered public information. Those comments may be posted to the FASAB's website and will be included in the project's public record.

We have experienced delays in mail delivery due to increased screening procedures. Therefore, please provide your comments in electronic form. Responses in electronic form should be sent by e-mail to fasab@fasab.gov. If you are unable to provide electronic delivery, we urge you to fax your comments to (202) 512-7366. Please follow up by mailing your comments to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft.

Notice of the date and location of any public hearing on this document will be published in the *Federal Register* and in the FASAB's newsletter.

Wendy M. Payne
Executive Director

Executive Summary**What guidance is being proposed?**

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*.

How would this proposal improve federal financial reporting and contribute to meeting the federal financial reporting objectives?

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.

Table of Contents

Executive Summary	4
What guidance is being proposed?	4
How would this proposal improve federal financial reporting and contribute to meeting the federal financial reporting objectives?.....	4
Questions for Respondents.....	6
Introduction	8
Purpose	8
Materiality	8
Effective Date	8
Technical Guidance.....	9
Scope	9
Required Supplementary Information (RSI).....	10
Component Entity RSI.....	10
Consolidated Financial Report of the U.S. Government RSI.....	13
Effective Date	13
Appendix A: Basis for Conclusions	14
Project History	14
Components of Federal Natural Resources.....	15
Renewable Resources.....	17
Electromagnetic Spectrum.....	17
Appendix B: Federal Natural Resources	18
Appendix C: Abbreviations	19
Appendix D: Technical Terms	20
Appendix E: Glossary.....	24

Questions for Respondents

FASAB staff encourages you to become familiar with all proposals in the technical bulletin before responding to the questions in this section. In addition to the questions below, staff would also welcome your comments on other aspects of the proposed technical bulletin.

FASAB staff believes that this proposal would improve federal financial reporting and contribute to meeting the federal financial reporting objectives. Staff has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have in regard to implementing this proposal.

Because the proposals may be modified before a final technical bulletin is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views will be especially appreciated.

The questions in this section are available in a Word file for your use at www.fasab.gov/exposure.html. Your responses should be sent by e-mail to fasab@fasab.gov. If you are unable to respond electronically, please fax your responses to (202) 512-7366 and follow up by mailing your responses to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6K17V
441 G Street, NW, Suite 6814
Washington, DC 20548

All responses are requested by **January 31, 2011**. If you are responding on behalf of a federal agency, please respond to the questions with information about your agency as well as any information you might have regarding other agencies.

- 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.

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- 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.
- 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.
- 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.
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Introduction

Purpose

1. Statement of Federal Financial Accounting Standards (SFFAS) 38, *Accounting for Federal Oil and Gas Resources*, requires the value of the federal government's **estimated petroleum royalties**¹ from the production of federal oil and gas **proved reserves** to be reported in required supplementary information (RSI) as part of a discussion of all significant **federal oil and gas resources** under management by the entity.
2. This technical bulletin clarifies that federal entities should report the value of all other **federal natural resources** under long-term lease, long-term contract or other long-term agreement² in RSI, consistent with the guidance contained in SFFAS 38 for federal oil and gas proved reserves.

Materiality

3. The provisions of this technical bulletin need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

Effective Date

4. The guidance in this technical bulletin is effective as RSI for periods beginning after September 30, 2011. Earlier implementation is encouraged.³
5. It is the Board's intent that the information required by SFFAS 38 transition to basic information after being reported as RSI for a period of three years. Prior to the conclusion of the three-year RSI period, the Board plans to make a determination as to whether the information will transition to basic information as financial statement **recognition** or note disclosure. It is anticipated that a similar determination would be made for natural resources other than oil and gas based on agencies' experiences implementing the guidance in this technical bulletin.

¹ Terms defined in the Glossary are shown in **bold-faced type** the first time they appear.

² The shortened phrase "lease, contract, or other long-term agreement" is used throughout the remainder of this document to refer to all such long-term arrangements. Long-term is generally defined as longer than five years.

³ An exposure draft proposing to defer the effective date of SFFAS 38 for one year has been released for comment concurrently with this draft technical bulletin. If the proposal is adopted, it is possible that the effective date of this technical bulletin may be changed to be consistent with the new effective date for SFFAS 38.

Technical Guidance**Scope**

6. **What entities are affected by this technical bulletin?**
7. This guidance applies to federal entities that (a) manage federal natural resources and (b) prepare general purpose federal financial reports, including the consolidated financial report of the U.S. Government, in conformance with SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board (FASB)*.
8. **What accounting practices are addressed in this technical bulletin?**
9. This guidance clarifies the responsibility of federal entities to report the value of all federal natural resources under lease, contract or other long-term agreement in RSI, consistent with the guidance contained in SFFAS 38 for federal oil and gas resources.
10. **What are federal natural resources?**
11. Federal natural resources are resources occurring in nature (for example, oil, gas, coal, sand, gravel, and stones) over which the federal government may exercise sovereign rights with respect to exploration and exploitation and from which the federal government has the authority to derive revenues for its use.⁴
12. Natural resources included in the definition in paragraph 11 that are not contained on federal lands or the federal government does not substantially manage and/or control (e.g., royalties collected by the federal government from resources produced from non-federal lands on behalf of non-federal parties from leases that are negotiated and signed by such non-federal parties) are not federal natural resources.
13. **Are federal agencies required to apply the guidance in this technical bulletin to all types of federal natural resources other than oil and gas?**
14. No, agencies are not required to apply the guidance in this technical bulletin to **renewable natural resources**⁵ or the **electromagnetic spectrum**.

⁴ Adapted from SFFAS 38, available at <http://www.fasab.gov/codifica.html>; last accessed September 14, 2010.

⁵ Federal entities should follow the GAAP Hierarchy in SFFAS 34 to determine the appropriate accounting and reporting standards for revenue-producing renewable resources.

Required Supplementary Information (RSI)

15. **Should federal entities apply the general principles of SFFAS 38 to all federal natural resources under management by the entity?**
16. No. With the exception of the narrative discussion required in paragraph 29f., 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.⁶
17. The narrative discussion required in paragraph 29f. should include all significant natural resources under management by the federal entity that are not required to be reported in the schedule described in paragraph 19 (for example, they are not measurable⁷ or not under lease, contract, or other long-term agreement).

Component Entity RSI

18. **What should be reported in component entity RSI for federal natural resources other than oil and gas?**
19. The estimated value of the reporting entity's federal natural resources under lease, contract or other long-term agreement and reasonably estimable as of the reporting date should be reported in a schedule in RSI as part of a discussion of all significant federal natural resources under management by the entity (SFFAS 38, paragraph 15).
20. The estimated value of the reporting entity's federal natural resources under lease, contract, or other long-term agreement should be reported by major types of natural resources. Resources may be further divided by subtype of commodity and calculated separately if material differences would otherwise result. Each of the individual calculations should be reported separately and summed together to arrive at the reporting entity's total estimated natural resources under lease, contract, or other long-term agreement (SFFAS 38, paragraph 21).

⁶ While SFFAS 38 does not specifically address other types of federal natural resources, the Board believes that SFFAS 38 should be considered when applying the hierarchy of generally accepted accounting principles to other types of federal natural resources (SFFAS 38, paragraph 9).

⁷ As used in Statement of Federal Financial Accounting Concepts (SFFAC) 5, paragraph 5, the term measurable means that a monetary amount can be determined with reasonable certainty or is reasonably estimable.

21. If a majority of the reporting entity's estimated revenue from natural resources under lease, contract, or other long-term agreement is designated to be distributed to others, the value of the revenue to be distributed should be estimated and reported in a schedule of estimated revenue to be distributed to others (SFFAS 38, paragraph 26).
22. **How should the value of federal natural resources be determined?**
23. The estimates that are developed should approximate the **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 estimates should be based on the best information available at fiscal year-end, or as close to the fiscal year-end as possible (SFFAS 38, paragraph 17).
24. Discount rates as of the reporting date for present value measurements of federal natural resources should be based on interest rates on **marketable Treasury securities** with maturities consistent with the cash flows being discounted (SFFAS 38, paragraph 18).
25. The reporting entity's estimates should reflect its judgment about the outcome of events based on past experience and expectations about the future. Estimates should reflect what is reasonable to assume under the circumstances. While the entity's own assumptions about future cash flows may be used, the entity should review assumptions used generally in the federal government as evidenced by sources independent of the reporting entity, for example, those used by the Bureau of Economic Analysis for the National Income and Product Accounts. If the entity's own assumptions do not reflect data that are consistent with sources independent of the reporting entity, an explanation of why the entity's own assumptions are preferred should be provided (SFFAS 38, paragraph 19).
26. The preferred measurement method for valuing the reporting entity's federal natural resources is the present value of future receipts on federal natural resources under lease, contract or other long-term agreement and reasonably estimable as of the reporting date using a risk-free discount rate as described in paragraph 23; however, alternative methods for measuring **fair value** or current price may be acceptable if it is not reasonably possible to estimate present value of future federal receipts using the methodology described in paragraphs 23 through 25 (SFFAS 38, paragraph 22).⁸

⁸ Calculating the present value of future federal receipts employs the use of a number of estimates; unforeseen circumstances may result in situations where it is not possible for the entity to reasonably estimate the present value of future federal receipts. In these situations, it may be possible to estimate current price. Current price, sometimes referred to as a "fresh-start" or "remeasured" price, is a general term for various attributes measured as of a financial

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27. Once established, the estimation methodology should be consistently followed and explained in the financial reports. If environmental or other changes would provide for the development of an improved methodology, the nature and reason for the change in methodology, as well as the effect of the change, should be explained (SFFAS 38, paragraph 23).
28. **What else should be reported?**
29. The reporting entity should provide the following as a narrative to the schedules presented as RSI:
- a. A concise statement explaining how the management of federal natural resources is important to the overall mission of the entity.
 - b. A brief description of the entity's stewardship policies for federal natural resources.
 - c. A narrative describing the estimation methodology used to calculate the value of the federal government's natural resources under lease, contract, or other long-term agreement. At a minimum, the narrative explanation should include a "plain English" explanation of the measurement attribute or method, the significant assumptions incorporated into the estimate, and any significant changes to the estimation methodology, including the underlying assumptions, from the prior year. As required by paragraph 27, the nature and reason for any changes, as well as the effect of the changes, should be explained.
 - d. A reference to the source reports used to calculate the value of the federal government's estimated natural resources under lease, contract, or other long-term agreement.
 - e. A narrative describing and a display showing the sales volume, the sales value, the royalty or other revenue, and the estimated value of **royalty relief** or other **foregone revenue**, if any, that resulted from the extraction and removal of federal natural resources for the reporting period.
 - f. A narrative describing other significant natural resources under management by federal entities that are not required to be reported in the schedule described in paragraph 19 (for example, they are not measurable⁹ or not under lease, contract, or other long-term agreement). The narrative should be sufficient to enable the financial statement reader

statement date subsequent to the period of initial recognition, including replacement price, market price, and settlement price.

⁹ See footnote 7.

to gain an understanding of the full extent of significant natural resources under management by the entity, including resources contained on land that has been legislatively or administratively withdrawn from leasing (SFFAS 38, paragraph 28).

Consolidated Financial Report of the U.S. Government RSI

30. **With regard to federal natural resources other than oil and gas, what should be reported in the consolidated financial report of the U.S. Government?**
31. The governmentwide entity should provide the following information related to federal natural resources in RSI as part of a discussion of all significant federal natural resources under management by the federal government:
 - a. A concise statement explaining the nature and valuation of federal natural resources.
 - b. The asset value of federal natural resources under lease, contract, or other long-term agreement by the types identified for use in calculating the federal government's estimated natural resources under lease, contract, or other long-term agreement as of the end of the reporting period (see paragraph 20).
 - c. A reference to specific agency reports for additional information about federal natural resources (SFFAS 38, paragraph 29).

Effective Date

32. This technical bulletin is effective for periods beginning after September 30, 2011. Earlier implementation is encouraged.
33. It is the Board's intent that the information required by SFFAS 38 transition to basic information after being reported as RSI for a period of three years. Prior to the conclusion of the three-year RSI period, the Board plans to make a determination as to whether the information will transition to basic information as financial statement recognition or note disclosure. It is anticipated that a similar determination would be made for natural resources other than oil and gas based on agencies' experiences implementing the guidance in this technical bulletin.

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

Appendix A: Basis for Conclusions

The Federal Accounting Standards Advisory Board has authorized its staff to prepare FASAB technical bulletins to provide timely guidance on certain financial accounting and reporting problems, in accordance with the Board's rules of procedure, as amended and restated through December 2003, and the procedures described in FASAB Technical Bulletin 2000-1, "*Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance.*" The provisions of technical bulletins need not be applied to immaterial items.

This appendix discusses some factors considered significant by staff in reaching the conclusions in this technical bulletin. 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 technical guidance section – not the material in this appendix – should govern the accounting for specific transactions, events or conditions.

Project History

- A1. In April 2010, FASAB issued SFFAS 38, *Accounting for Federal Oil and Gas Resources*. SFFAS 38 requires the value of the federal government's estimated petroleum royalties from the production of federal oil and gas proved reserves to be reported in a schedule of estimated federal oil and gas petroleum royalties. SFFAS 38 also requires the value of estimated petroleum royalty revenue designated for others to be reported in a schedule of estimated federal oil and gas petroleum royalties to be distributed to others. These schedules are to be presented in required supplementary information (RSI) as part of a discussion of all significant federal oil and gas resources under management by the entity.
- A2. Federal lands contain a variety of natural resources that are not specifically addressed by SFFAS 38, including coal, gold, and silver, as well as timber and grazing rights. Originally, the Board intended to address each category of resources in separate phases as noted in paragraph A2 of SFFAS 38. Although in principle a broader application was desirable to several Board members, the majority believes that the Board has already devoted a substantial amount of time to the oil and gas standard and developing additional guidance for the other types of resources would significantly delay implementation of a broad standard. Therefore, because federal oil and gas resources represent the most significant portion of all federal natural resources, the majority of members felt it was important to begin recognizing them as soon as possible.

- A3. Nonetheless, the majority of the members believe that the standards developed for federal oil and gas resources may serve as a good framework for other categories of federal natural resources.¹⁰ Therefore, while SFFAS 38 does not specifically address other types of federal natural resources, the Board believes that SFFAS 38 should be considered when applying SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, to other types of federal natural resources. As a result, while not explicitly encouraging agencies to recognize other categories of natural resources, the Board explicitly states that SFFAS 38 does not require or preclude entities from reporting information about other types of federally-owned natural resources; however, members believe SFFAS 38 should be considered in conjunction with SFFAS 7, *Accounting for Revenue and Other Financing Sources*, when applying SFFAS 34 to other types of federally-owned natural resources.¹¹
- A4. During deliberations on SFFAS 38, the Board explicitly directed staff to apply the requirements of SFFAS 38 to other types of natural resources through the issuance of a technical bulletin. In doing so, the board members noted that the technical bulletin comment period would provide federal entities with an opportunity to comment on the standards as they would apply to the specific natural resources under their management.

Components of Federal Natural Resources

- A5. *Figure 1, Components of Federal Natural Resources*, presented on the next page identifies the universe of federal natural resources (total resources). Total resources incorporate “original in-place” resources, that is, resources in the earth before human intervention. The components are first separated into “undiscovered resources” and “discovered resources.”
- A6. The terms in Figure 1 are defined in Appendix D: Technical Terms under the subheading “Definitions of Federal Natural Resources Components and Subcomponents.”

¹⁰ SFFAS 34, Paragraph 7.

¹¹ SFFAS 38, Paragraph 9.

Figure 1 – Components of Federal Natural Resources

Accounting Standards	Components of Federal Natural Resources							
	Undiscovered Resources			Discovered Resources				
	Non-Recoverable	Recoverable		Not Available for Sale or Lease		Available for Sale or Lease		
	Undiscovered Conventionally Recoverable Resources	Undiscovered Economically Recoverable Resources	Legislatively Withdrawn	Administratively Withdrawn	Other	Planned to be Offered	Under Contract ¹² but Not Conveyed	
Current Accounting Standards							Bonus bid, rent, royalty and other revenue accounted for by reporting entity either as (1) exchange revenue on the SNC or as (2) as a financing source on the CFR and reporting entity SOCNP ¹³	
Proposed Accounting Standards			<ul style="list-style-type: none"> Provide a narrative disclosure in Required Supplementary Information (RSI) of the full extent of natural resources under management by the reporting entity, including resources contained on land that has been legislatively or administratively withdrawn from leasing 			<ul style="list-style-type: none"> Revenue continues to be accounted for as either exchange revenue on the SNC or a financing source on the SOCNP Various RSI disclosures 		

¹² “Under Contract” encompasses lease, contract, or other long-term agreement.

¹³ SNC = statement of net cost, CFR = consolidated financial report of the U.S. Government, SOCNP = Statement of Operations and Changes in Net Position

¹⁴ Under contract and reasonably estimable is substantially equivalent to “proved reserves” under SFAS 38.

Renewable Resources

- A7. Staff believes that it may not be appropriate to apply the guidance in this Technical Bulletin to renewable natural resources. Based on staff's review of the major characteristics of renewable resources, renewable resources are not similar enough to oil and gas royalties that an appropriate analogy can be made under the principles contained in SFFAS 38. For example, costs to develop certain renewable resources may be incurred by the federal government while revenues may relate to annual production rather than extraction of long-standing reserves. Such revenue-producing renewable resources that result in exchange revenue that is matched against the economic cost of operations would not benefit from the additional reporting requirements of SFFAS 38.

Electromagnetic Spectrum

- A8. Staff believes that auctions of the electromagnetic spectrum are not similar enough to oil and gas royalties that an appropriate analogy can be made under the principles contained in SFFAS 38. The spectrum is closer to a renewable resource in that it is inexhaustible in duration but limited in the amount of spectrum that is available per unit of time. Proceeds from auctions of the spectrum are not received on a consistent basis from year to year since the need for auction depends on the mutual exclusivity of the applications received in any given year (for example, auction proceeds were \$16.8 billion, \$1.8 billion, \$13.9 billion, and \$104 million in fiscal years 2009, 2008, 2007, and 2006, respectively). In addition, the asset that is being sold is the right to use the spectrum for a period of time, similar to a standard operating lease; nothing is being used up or depleted forever. Furthermore, auction proceeds are one-time payments made by each auction's winner; they are not made over the course of a lease, contract, or other long-term agreement.
- A9. The Board decided to add accounting for the electromagnetic spectrum to its list of potential projects for consideration at the next agenda-setting session. If the project is selected for the agenda, staff would determine if additional guidance is warranted at that time (see SFFAS 7 paragraphs 145, 278 and 279).

Appendix B: Federal Natural Resources

Note: The following list may not include every category/type of natural resource. It is intended as a general guide to the universe of natural resources that were considered during development of this Technical Bulletin.

Category/Type of Natural Resource	Examples
Timber	Timber, Woody Biomass (Biofuel)
Leasable Minerals (Solid)	Coal, Oil Shale, Asphalt, Sulfur, Phosphate, Potassium, Sodium, Gilsonite
Leasable Minerals (Fluid)	Oil, Gas
Locatable Minerals	Precious Metals, Ferrous Metals, Light Metals, Base Metals, Precious and Semi-Precious Stones
Mineral Materials	Sand, Gravel, Stones
Grazing Uses	Grazing
Electromagnetic Spectrum	Electromagnetic Spectrum
Non-Timber Vegetative Products	Christmas Trees, Christmas Wreath Materials, Mushrooms, Wild Berries, Medicinal Herbs, Cactus, Pine Nuts
Other Renewable Energy Sources	Geothermal Energy, Solar, Hydropower, Wind and Waves
Other miscellaneous	Land, Fish, Wildlife, Biota, Air, Water, Ground Water, Drinking Water Supplies

Appendix C: Abbreviations

CFR	Code of Federal Regulations
FASAB	Federal Accounting Standards Advisory Board
RSI	Required Supplementary Information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

Appendix D: Technical Terms

The terms explained in Appendix D have specific application to federal natural resources and may be useful in applying the requirements of this Technical Bulletin.

Definitions of Federal Natural Resources Components and Subcomponents

Provided below are definitions used in this technical bulletin to describe federal natural resource components and subcomponents.¹⁵ This section of Appendix D defines the terms used in *Figure 1 – Components of Federal Natural Resources*.

Undiscovered Resources

Resources surmised to exist on the basis of broad geologic knowledge and theory.¹⁶

- Undiscovered Non-Recoverable Resources – The portion of undiscovered federal natural resources not currently considered to be recoverable. A portion of these resources may become recoverable in the future as commercial circumstances change, technological developments occur, or additional data are required.
- Undiscovered Recoverable Resources – The portion of undiscovered federal natural resources that are estimated to exist in favorable geologic settings.¹⁷
 - Undiscovered Conventionally Recoverable Resources: The portion of undiscovered federal natural resources that is producible, using present or reasonably foreseeable technology, without any consideration of economic feasibility.
 - Undiscovered Economically Recoverable Resources: The portion of undiscovered federal natural resources that is economically recoverable under imposed economic scenarios.

¹⁵ Unless otherwise noted, definitions in this section were adapted from SFFAS 38, Appendix D: Technical Terms.

¹⁶ Adapted from EIA Glossary, available at <http://www.eia.doe.gov/glossary/>; last accessed October 4, 2010.

¹⁷ Ibid.

Discovered Resources

Resources whose location and quantity are known or estimated from specific geologic evidence.

- Not Available for Sale or Lease – Resources that are not available for sale or transfer because they have been legislatively or administratively withdrawn.
 - Legislatively withdrawn resources: Those resources that by law can not be offered for transfer to private entities (e.g., resources in Wilderness Areas, National Parks, and Recreation Areas).
 - Administratively withdrawn resources: Those resources in areas which by law could be offered for transfer to private entities, but which have been administratively withdrawn. Such resources could be made available for future transfer by administrative decision without change in law (e.g., locatable minerals in scenic or recreational areas).
- Available for Sale or Lease – Those resources that are available for sale or transfer because they have not been legislatively or administratively withdrawn.
 - Planned to be offered: Resources planned to be offered are those resources for which it has been determined that specific types of resources in specific locations or within specific areas will be made available for sale or transfer to private entities (e.g., areas open to claims under the Mining Law of 1872).
 - Under contract but not conveyed: Resources “under contract” are resources that have been offered for sale through a lease, contract, or other long-term agreement but have not yet been conveyed to the purchaser.
 - *Reasonably Estimable*: Reasonably estimable resources under contract but not yet conveyed are those resources that are under lease, contract, or other long-term agreement; known to exist as of year-end; and for which the value can be reasonably estimated.
 - *Not Reasonably Estimable*: Not reasonably estimable resources under contract but not conveyed are those resources that are under lease, contract, or other long-term agreement; known to exist as of year-end; but for which the value cannot be reasonably estimated.

- **Other:** Other resources available for sale are those resources which are neither restricted by law nor administratively withdrawn, are outside of areas for which there are contracts to convey a resource, and are outside of areas for which the determination has been made to offer the resource for sale.

End of the terms in Figure 1 that are defined under the subheading “Definitions of Federal Natural Resources Components and Subcomponents.”

Other Definitions

Electromagnetic Spectrum: The range of electromagnetic radio frequencies (waves per second) used to transmit sound, data, and video across the country. It carries voice between cell phones, television shows from broadcasters to the television, and online information from one computer to the next, wirelessly. The electromagnetic spectrum includes (from longest wavelength to shortest): radio waves, microwaves, infrared, optical (or visible), ultraviolet, x-rays, and gamma-rays.¹⁸

Estimated Petroleum Royalties: The estimated end-of-period value of the federal government’s royalty share of proved oil and gas reserves from federal oil and gas resources.

Federal Natural Resources: Resources occurring in nature (for example, oil, gas, coal, sand, gravel, stones, timber, and the electromagnetic spectrum) over which the federal government may exercise sovereign rights with respect to exploration and exploitation and from which the federal government has the authority to derive revenues for its use.¹⁹

Federal Oil and Gas Resources: Oil and gas resources over which the federal government may exercise sovereign rights with respect to exploration and exploitation and from which the federal government has the authority to derive revenues for its use. Federal oil and gas resources do not include resources over which the federal government acts as a fiduciary for the benefit of a non-federal party.

¹⁸ Federal Communications Commission, available online at <http://reboot.fcc.gov/reform/systems/spectrum-dashboard/about>; last accessed September 22, 2010.

¹⁹ Adapted from SFFAS 38, available at <http://www.fasab.gov/codifica.html>; last accessed September 14, 2010.

Foregone Revenue: Foregone revenue is the reduction, modification, or elimination of any royalty or other fee to operators to promote development, increase production, or encourage production of marginal resources on certain leases or categories of leases.²⁰

Proved Reserves: For crude oil and gas, proved reserves are the estimated quantities that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. For lease condensate and natural gas plant liquids, proved reserves are the estimated quantities demonstrated with reasonable certainty to be recoverable in future years in conjunction with the production of proved gas reserves, under existing economic and operating conditions. The total quantity of proved reserves is calculated by adding the quantity of reserves reported as revisions and adjustments, net of sales and acquisitions, total recoveries and deducting estimated production during the report year.

Renewable Natural Resources: Resources that are naturally replenishing but flow-limited. They are virtually inexhaustible in duration but limited in the amount of resources that are available per unit of time. Renewable resources include, but are not limited to, timber, biomass, hydropower, geothermal energy, solar, wind, water, fish, wildlife, ocean thermal, wave action, and tidal action.²¹ The opposite of renewable is depletable, which refers to resources that are diminished after use, such as coal, oil, and gas.

Royalty Relief: Existing statutes authorize MMS to grant royalty relief to operators on the production of oil and gas resources from federal oil and gas leases. Royalty relief is the reduction, modification, or elimination of any royalty to operators to promote development, increase production, or encourage production of marginal resources on certain leases or categories of leases.²²

²⁰ Adapted from definition of royalty relief from 43 U.S.C. § 1337(a).

²¹ Adapted from EIA Glossary, available at <http://www.eia.doe.gov/glossary/>; last accessed March 22, 2010.

²² 43 U.S.C. § 1337(a).

Appendix E: Glossary

Fair Value: Value determined by bona fide bargain between well-informed buyers and sellers, usually over a period of time; the price for which a property, plant and equipment item can be bought or sold in an arm's length transaction between unrelated parties; value in a sale between a willing buyer and a willing seller, other than in a forced or liquidation sale; an estimate of such value in the absence of sales or quotations.

Marketable Treasury Securities: Debt securities, including Treasury bills, notes, and bonds, that the U.S. Treasury offers to the public and are traded in the marketplace. Their bid and ask prices are quoted on securities exchange markets.

Present Value: The value of future cash flows discounted to the present at a certain interest rate (such as the reporting entity's cost of capital), assuming compound interest.

Reasonably Estimable: The ability to reliably quantify in monetary terms the outflow of resources that will be required.

Recognition: The terms recognition and recognize refer to the process of formally recording or incorporating an element into the financial statements of an entity. Recognition comprises depiction of an element in both words and numbers, with the amount included in the totals of the financial statements. For an asset or liability, recognition involves recording not only acquisition or incurrence of the item but also later changes in it, including changes that result in removal from the financial statements.

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