

Memorandum

Omnibus Amendments

April 6, 2023

To: Members of the Board
From: Sherry L. Lee, Senior Analyst
Thru: Monica R. Valentine, Executive Director
Subject: **Omnibus Amendments 202X** (Topic E)

INTRODUCTION

During the December 2022 meeting, the Board reviewed and provided feedback on the draft exposure drafts of the proposed amendments to SFFAS 38 and Technical Bulletin (TB) 2011-1, titled “Omnibus Amendments 202X” and “Technical Bulletin 202X-X”, respectively. Members generally agreed with the amendments and the basis for conclusions related to the SFFAS 38 amendments and provided mostly editorial changes. On the draft TB 202X-X exposure draft, members requested additional information related to the reliability of the coal royalty estimation methodology to support retaining the reporting requirement in TB 2011-1 as required supplementary information (RSI).

To obtain the additional support, staff met with the Department of the Interior (Interior) on March 8 and discussed the coal royalty estimation methodology and the related challenges. Based on the meeting with Interior and the December 2022 member feedback, staff updated the draft exposure drafts for the Board’s consideration.

In addition to the proposed SFFAS 38 amendment, various staff are proposing amendments to SFFASs 3, 33, and 49 for the Board’s review and omnibus amendment consideration. Josh Williams will be briefing the Board on the SFFAS 3 proposed amendments and Domenic Savini will be briefing on the SFFAS 33 and 49 proposed amendments.

REQUEST FOR FEEDBACK BY April 12, 2023

Please review the attached Staff Analysis which includes the additional amendment proposals, and the updated draft Omnibus Amendments 202X and TB 202X-X exposure drafts. Staff requests responses to the ensuing questions in the Staff Analysis by April 12, 2023.

Please submit responses to Sherry L. Lee at LeeSL@fasab.gov with a cc to Monica Valentine at ValentineM@fasab.gov.

NEXT STEPS

Staff will update the draft Omnibus Amendments 202X and Technical Bulletin 202X-X exposure drafts as appropriate based on Board discussions at the April meeting. Please note the TB will not be exposed until after the omnibus amendments are finalized.

ATTACHMENTS

1. Staff Analysis
2. Omnibus Amendments 202X Exposure Draft – Clean Version
3. Omnibus Amendments 202X Exposure Draft – Tracked Version
4. Technical Bulletin 202X-X Exposure Draft – Clean Version
5. Technical Bulletin 202X-X Exposure Draft – Tracked Version

Staff Analysis

Omnibus Amendments

April 6, 2023

Various staff are proposing amendments to the following Statements of Federal Financial Accounting Standards (SFFAS) and Technical Bulletin (TB) for Board consideration:

- SFFAS 38/TB 2011-1,
- SFFAS 33,
- SFFAS 49, and
- SFFAS 3.

I. Proposed Amendments to SFFAS 38/TB 2011-1 – Sherry Lee

Background

SFFAS 38: *Accounting for Federal Oil and Gas Resources*¹, requires federal entities to report the value of the federal government's estimated petroleum royalties from the production of federal oil and gas proved reserves. Similarly, TB 2011-1: *Accounting for Federal Natural Resources Other Than Oil and Gas*, requires federal entities to report the federal government's estimated royalties and other revenue from federal natural resources other than oil and gas that are under lease, contract, or other long-term agreement and are reasonably estimable. SFFAS 38, as amended, and TB 2011-1 were effective for periods beginning after September 30, 2012 and September 30, 2013, respectively.

At the time SFFAS 38 and TB 2011-1 were issued, the Board intended for the reporting requirements to be presented as basic information. However, the Board wanted to gather more information on the reliability of the estimation methodologies before making a final decision. The Board decided on a three-year Required Supplementary Information (RSI) presentation. Prior to the conclusion of the three-year RSI period, the Board planned to make a determination as to whether the information would transition to basic information as financial statement recognition or note disclosure. The Board also acknowledged that new information might become available that would warrant continued reporting as RSI.

Between 2012 and 2014, the reassessment of the SFFAS 38 reporting requirements was removed as a potential Board project due to other priorities. In August 2022, the Board considered the challenges with the estimation methodology and unanimously agreed that the reporting requirements should remain as RSI. Members directed staff to

¹ For the history of the Board deliberations on natural resources, follow this link: <https://fasab.gov/projects/archived-projects/natural-resources/>.

draft the amendments to SFFAS 38 and TB 2011-1 to close the open-ended requirement.

During the December 2022 Board meeting, members reviewed and provided feedback on the draft amendments to SFFAS 38 and TB 2011-1 titled Omnibus Amendments 202X and Technical Bulletin 202X-X, respectively. Members generally agreed with the proposed amendments and basis for conclusions in the proposed Omnibus Amendments 202X. Based on the members' feedback, staff updated the draft basis of conclusions to include the additional views of the members. On the proposed TB 202X-X, members requested staff to obtain additional information related to the reliability of the estimation methodology for federal royalties from natural resources other than oil and gas, rather than relying solely on the conforming amendments to support retaining the reporting requirement as RSI. Staff met with subject matter experts from the Department of the Interior (Interior) on March 8, 2023 and updated the draft TB 202X-X based on the discussion.

Summary of Coal Royalty Estimation Methodology Review

Coal is the only significant federal natural resource that Interior reports under the requirements of TB 2011-1. Similar to the estimation methodology for royalties from federal oil and gas proved reserves, the estimation methodology for royalties from federal coal recoverable reserves relies on assumptions that may not be reliable for basic presentation. The uncertainties and the related challenges with the estimation methodology support retaining the reporting requirement in TB 2011-1 as RSI. Staff updated the proposed TB 202X-X basis for conclusions to reflect the challenges accordingly.

Detailed Analysis of Coal Royalty Estimation Methodology

Estimated coal recoverable reserves include the estimable coal that can be mined with today's mining technology after considering accessibility constraints and recovery factors. The federal government's estimated recoverable reserves are based on Interior's Bureau of Land Management (BLM) State offices' estimated recoverable reserves, which are developed through exploration drilling and geologic surveys used to develop a Fair Market Valuation (FMV) prior to the lease sale². The Interior's Division of Minerals Evaluation independently reviews the FMV, which sets the minimum bid for the sale, prior to the lease sale. After the lease is sold and mining commences, coal volumes are tracked by the BLM through Production and Verification inspections. If the Production and Verification inspections indicate a discrepancy in the reserve, the recoverable reserves are updated in the Resource Recovery and Protection Plan³. The estimates are updated annually through a data call by the Office of Natural Resources Revenue (ONRR) to the BLM State offices for changes from the previous fiscal year end due to (1) new, modified, relinquished, or mined-out leases; (2) revised mining

² See BLM manual MS-3073 at https://www.blm.gov/sites/blm.gov/files/uploads/Media_Library_BLM_Policy_H-3073.pdf and handbook H-3073 at https://www.blm.gov/sites/blm.gov/files/uploads/mediacenter_blmpolicymanual3073.pdf.

³ See BLM manual 3486 at https://www.blm.gov/sites/blm.gov/files/uploads/mediacenter_blmpolicymanual3486.pdf and handbook H-3486 at <https://www.blm.gov/sites/default/files/docs/2021-06/Rel%203-349%20H-3486-1.pdf>.

plans; and (3) changes to diligent development⁴ requirements and effective dates. ONRR then adjusts each federal lease's recoverable reserves for reported production during the year to estimate the remaining recoverable reserves for the current fiscal year end.

The estimated recoverable coal reserves are then projected over time to simulate a schedule of when the reserves would be produced, assuming the reserves will be mined out completely, however long that takes. Future royalties are then calculated by applying future price estimates (based on current prices) and effective royalty rates, adjusted for transportation allowances and other allowable deductions. The present value of these royalties are then calculated by discounting the revenue stream back to the reporting date using OMB's 30-year Treasury bill rates.

There are limitations with the coal royalty estimation methodology:

- The amount of coal in a federal lease is difficult to estimate because the geologic model is based on wide spaced exploration drilling and necessitates the use of geologic assumptions that may not be accurate.
- Estimates of recoverable reserves change when assumptions (i.e., price, legislations, mining technology, etc.) change.
- The methodology is based on current year production and projected future production until the reserves are 100% depleted, resulting in additional uncertainties.
- Coal price fluctuations may result in significant changes in the asset value of future royalty revenue projections between reporting periods.

Due to the above limitations, moving the reporting requirements in TB 2011-1 from RSI to basic information would be challenging for Interior and the federal government and the potential benefits do not justify the cost and added burden to increase the reliability of the required information.

Question for the Board:

1. Do members agree with the SFFAS 38-related draft Omnibus Amendments 202X and Technical Bulletin 202X-X proposals?

⁴ Diligent development is a statutory requirement of the lessee in that they will produce in commercial quantities within 10 years. After diligent development is met, the lease must maintain continued operation on the lease. However, a lease can be combined within an LMU which means the entire LMU would be subject to the same terms.

II. Proposed Amendments to SFFAS 33 – Domenic Savini

Background

- In response to a technical inquiry, staff concluded that language pertaining to the use of discount rates in SFFAS 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*, paragraphs 30 and 32 require clarification. As confirmed with subject matter experts familiar with this Statement's development and Board deliberations, SFFAS 33 and the discount rate requirement in particular, was meant to provide flexibility to preparers and actuaries. If not clarified, a narrow and strict reading of paragraph 30 creates a dilemma wherein year-end discount rate information, which is not available at year-end, forces a preparer to be in noncompliance with the standard in order to comply with an entity's financial reporting deadline: November 15th.
- In summary, SFFAS 33 does not require the use of discount rates determined at year-end of the current fiscal year. Although a strict and narrow reading of paragraph 30 could lead one to that conclusion, the Statement's intent is for "reasonable estimates" as confirmed with the subject matter experts noted above and careful reading of the entire standard and BFC. The entity's external auditor based their position that the standard (SFFAS 33, par. 33) requires using fiscal year-end dates because the standard requires recognizing fiscal year-end liabilities.
- Staff disagrees with
 - (1) strictly interpreting that paragraph 30 requires using a fiscal year-end rate for the most current fiscal year when such information may not be available for use and
 - (2) using paragraph 33's requirement for expense measurement as of the end of the fiscal year as a basis for justifying the auditor's position that year-end rate information for all years must be used.
- In essence, the entity's external auditor was conflating two different but related requirements. Staff notes that solely relying on a strict reading of the language in paragraph 30 could easily lead one to conclude that fiscal year-end rates are required for all years to include the most current fiscal (reporting) year. Therefore, staff recommends that specific language be considered for revision.

Objective

To clarify that the discount rate requirement in SFFAS 33 was meant to provide flexibility to preparers and actuaries.

Staff Analysis: Research and Current Reporting Issues

1. Paragraph 9 of SFFAS 33 (non-authoritative) reads as follows:

9. This Statement provides a standard for selecting discount rates for present value measurements of federal employee pension, ORB, and OPEB liabilities.

Staff notes that the standard allows for selecting a discount rate. It is staff's view that if the Board intended to "hard-wire" fiscal year-end rates it would clearly have noted it in the above introductory paragraph and accordingly, obviating a need to select a rate.

2. Paragraph 28 of SFFAS 33 clearly states that discount rates for use in making the present value calculations should be based on marketable Treasury securities.

28. Discount rates as of the reporting date for present value measurements of pension, ORB, and OPEB liabilities should be based on interest rates on marketable Treasury securities with maturities consistent with the cash flows being discounted. The discount rates should be matched with the expected timing of the associated expected cash flow. Thus, cash flows projected in each period should have a discount rate associated with them. However, one discount rate may be used for all projected future cash flows if the resulting present value is not materially different than the resulting present value using multiple rates. A change to or from multiple rates from or to a single rate should be disclosed.

Staff notes that there is no reference to fiscal year-end rates in paragraph 9. The important driver is not the timing or date of the rate but rather that its underlying security has a maturity consistent with the cash flows being discounted. Staff notes that quarterly Treasury rates possess this feature and that this feature is not only applicable to year-end rates.

3. The paragraph 30 parenthetical reference of "e.g." could reasonably be implied that use of the "current and four prior fiscal year ends" is merely an example and not a strict requirement.

30. In developing average historical Treasury rates, a minimum of five historical rates as of the reporting date (e.g., at the current and four prior fiscal year ends) should be used for each maturity. The historical rates used to calculate the average should be sequential (e.g., 2003-2007). For example, for an average historical Treasury rate to be used as the discount rate as of the end of fiscal year 2007 for a payment due in 10 years (i.e., in fiscal 2017), a minimum of the five most recent fiscal year-end historical rates on 10-year Treasury securities should be used. Thus, the rate on 10-year Treasury securities as of the end of fiscal year 2007 would be one of the five historical rates used in the average, the rate on 10-year Treasury securities as of the end of fiscal year 2006 would be another rate, etc., until, at a minimum, the rates on 10-year Treasury securities as of the end of fiscal years 2003 through 2007 would be included in the average.

Staff believes the parenthetical reference could be seen as only illustrating a general rule to use a minimum of five historical rates as of the reporting date. In fact, paragraph 30 states, "In developing average historical Treasury rates..." (Please note that no

reference to year-end is made) and goes on to further read, "...a minimum of five historical rates as of the reporting date.....should be used for each maturity." The reporting date is the date that the liability is to be measured through or as-of and not necessarily a reference to year-end Treasury rates. Staff notes that this language should be clarified to avoid ambiguity.

One could also argue that if the Board intended that only fiscal year end rates be used, the parenthetical quotation would have not have used e.g., but i.e., (that is to say) which would imply not an example but as opposed to e.g., i.e. (that is to say) is used to specify, describe, or explain something that has already been referred to in the sentence. Staff believes that SFFAS 33 should be clarified in this regard.

4. Paragraph 35 states that reasonable estimates "should reflect what is reasonable under the circumstances."

35. The 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. The entity's own assumptions about future cash flows may be used. However, 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 and, if its assumptions do not reflect such data, explain why it is inappropriate to do so.

Moreover, SFFAS 33 amended SFFAS 5, *Accounting for Liabilities of The Federal Government*, in regards to the three primary federal plans by removing the requirement to use "best available" actuarial estimates and SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, was amended similarly from using "best" to "reasonable" regarding monies collected for such plans.

Several notable points from non-authoritative portions of SFFAS 33 include:

- a. The Board seemed to want to (1) reduce volatility (par. A41) and (2) via the above cited amendments, provide greater flexibility and judgement to the preparer.
- b. The Board also believed there was no need to further define or explain the phrase "average historical Treasury rate" permitting management to use its judgement (par. A64).
- c. Appendix B illustration breaks-out the discount gain effect on the overall gains/losses and this would seem to include both changes in data-points as well as interest rates. Note that the first example clearly lists "Discount rate assumption" as an element of such gain/loss assumptions.

5. BFC paragraph A41 states that expense and liability amounts “should be average historical rates for marketable Treasury securities....expected long-term rates reduce volatility.” Staff notes that the discussion focused on reducing volatility via the use of long-term rates; not year-end rates. It is fair to say that long-term rates can exist on a spot basis as well as a quarterly basis.

6. BFC paragraph A63 notes that the Board desired consistency among federal entities. Staff notes that if the entity’s external auditor’s interpretation was correct (that entities are required to use FYE rates), then there would be consistency among agencies and the Board never would have written A63 as it did or expressed a desire for consistency because everyone would be using FYE rates for discounting.

7. BFC paragraph A64 notes that the term “average historical Treasury rate” is well defined and that the objective is a principle-based requirement. Staff notes that “hard-wiring” a FYE rate is not in accord with a principles-based requirement and moreover, this paragraph clearly documents the Board’s intent to provide preparer’s flexibility.

8. Appendix B, the ABC Program illustration. Staff notes that the “Gain/Loss on assumption changes” line clearly breaks-out “Discount Rate assumption.” This illustration shows that variances in rates and their underlying assumptions/changes would need to be display/disclosed. This is evidence supporting that the preparer has judgment in selecting the Treasury rate because if such a rate were “hard-wired” into the standard it would not be an “assumption” but a “requirement.”

9. Additional research supporting the staff’s view include:

- a. As noted in a 2020 email a “then-Board member” stated – “I agree that the main impetus of paragraphs 29 and 30 of SFFAS 33 was to use an average rate. Also, I think a key question is whether the examples in paragraph 30, highlighted in yellow below, are authoritative, or are merely examples that could be used and how they would be applied.”

Staff notes that this SFFAS 33 board member confirms that the statement was intended to provide flexibility and that as more fully analyzed/discussed in paragraphs 2 and 3 above, fiscal year-end (FYE) references could in fact be examples and not a firm requirement.

- b. A Chief Actuary’s view:

- i. A strict reading of par. 30 ignores the other paragraphs such as par. 35 that support the TI auditor submitter position. That is, the auditor’s insistence to use a FYE rate is seeking a “false precision” as opposed to a reasonable estimate.

- ii. OPM and DoD use March 31st or second quarter rates to which their auditors take no exception.

- iii. Using a FYE rate is not practical given the 45-day turnaround time federal actuaries have.
 - iv. The auditor estimate should be examined closely to see if they properly considered changes in inflation as well as salary increases.
 - v. SFFAS 33 should be clarified and updated at paragraphs 30, 33, and rationale at A49, and A63 should be reconsidered.
- c. Staff interviews with two agency actuaries
- i. DoD uses a 10-year moving average rate, which is the equivalent of 40 individual quarters wherein 9 years or 36 quarters of the moving average are based on actual year-end rates but the last fiscal year is basically interpolated from the second quarter's actual rate. They stated that their auditors have never questioned the use of a Q2 rate as a de facto fiscal year-end rate because everyone realizes that waiting for the Q4 rate to be published delays the year-end reporting/closing processes.
 - ii. SFFAS 33 allows preparer flexibilities as witnessed first-hand by one of those interviewed advising staff that he was present at a meeting shortly after SFFAS 33 was issued wherein agencies discussed using quarterly data to which there were no objections.
- d. Reviewing the BFC paragraphs dealing with respondent comments and Board re-deliberations staff notes that there is no discussion relative to fiscal year-end rates. Had the Board intended and proposed to "hard-wire" FYE Treasury rates, some respondents would have noted the impracticality of doing so within a 45-day audit cycle. No such discussion appears in the BFC.

Staff concludes that the use of a surrogate year-end rate (e.g., a quarterly rate or even forecasted rate) seems permissible when calculating an average multi-year year-end rate and not in non-compliance with the spirit or letter of the Statement or Standards. However, this holds true as long as the other four years are based on comparable actual year-end Treasury rates. In this way, only 20.0% or one-fifth of the average rate would be based on an estimate.

Recommendation

Proposed Amendments

Staff recommends amending SFFAS 33 paragraph 30 along with paragraph 32 to acknowledge preparer flexibility to accommodate for the inability of having a Treasury year-end discount rate available in time for financial reporting purposes. The proposed amendments are as follows:

Primary Amendment

30. In developing average historical Treasury rates, a minimum of five historical rates as of the reporting date (e.g., at the most currently available quarter-end^{FN 7A} and four prior fiscal year ends) should be used for each maturity. The historical rates used to calculate the average should be sequential (e.g., 2003- 2007). For example, for an average historical Treasury rate to be used as the discount rate as of the end of fiscal year 2007 for a payment due in 10 years (i.e., in fiscal 2017), a minimum of the five most recent fiscal year-end historical rates on 10-year Treasury securities should be used. Thus, the most currently available rate on 10-year Treasury securities as of the end of fiscal year 2007 would be one of the five historical rates used in the average, the rate on 10- year Treasury securities as of the end of fiscal year 2006 would be another rate, etc., until, at a minimum, the rates on 10-year Treasury securities as of the end of fiscal years 2003 through 2007 would be included in the average.

FN 7A – Given that year-end discount rates for the most current financial reporting period may not be published or available in time for inclusion, in order to compute the actuarial results on a timely basis, preparers and their actuaries may use the most currently available quarter-end discount rate information.

Conforming Amendment

32. In the determination of the historical Treasury rates used, for cash flows that are projected to occur in future years for which Treasury securities are or were not available or that are expected beyond the maturities at which Treasury securities are available, e.g., beyond the 30-year security, the preparer should incorporate into the determination of the discount rate interest rates interpolated or extrapolated from historical Treasury rates to include most currently available or published quarterly discount rate information.

Question for the Board:

2. Do members agree with the proposed amendments to SFFAS 33?

III. Proposed Amendments to SFFAS 49 – Domenic Savini

Background

As staff previously noted to the Board in [October 2022 \(Topic C\)](#) during the P3 discussion, staff held meetings with two federal Inspectors General, a public accounting (audit) firm and two financial policy accountants to help identify challenges they see requiring attention. Staff noted that certain preparers are using the exception in SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, paragraph 24b., meant exclusively for when non-federal partner's funding amounts (estimates) are unavailable, to avoid reporting the other paragraph 24 required disclosures; e.g., cash flows required at 24c. and 24d.

During the October meeting staff suggested that the Board consider amending SFFAS 49, par. 24b. There was also some discussion about including the proposed amendment in the next omnibus amendments proposal.

Staff Analysis

1. **Significant Nature of this Disclosure** - The importance of this disclosure is predicated on informing users as to the amount of financing attributable to each partner within a P3. Amounts invested can impact a user's understanding concerning the relative risks each partner is undertaking, the relative economic incentives they each bear or share, as well as the overall reasonableness of the P3s expected life. Specific examples leading up to the SFFAS 49 Exposure Draft include:
 - a. as a condition to drawing down or securing federal funds, some P3 arrangements require that the private partner must first raise funding from nonfederal sources. Such matching programs allow for in-kind contributions to be counted as part of the nonfederal support. Also, cases may arise where contributions are made from related parties such as board members or officers.
 - b. occasionally single or unitary payments for both the capital (i.e., design, construction, financing, etc.) and operating and maintenance components are made to the private partner(s). Usually unique to each bidder, the single or unitary payment amount optimizes the mix of capital and operating inputs and includes a risk return amount (i.e., profit). In the eyes of the private partner they receive a singular payment for the delivery of a suite of services whereas the accountants for the public partner see a payment made up of capital and operating costs. If single or unitary payment cannot be split, asset and liability values become very difficult to reliably measure.

2. **Impact on User Assessments and Reporting Objectives** - Proponents for this disclosure would argue that the failure to disclose this information could obfuscate P3 program assessments and possibly make certain P3s look healthier than they are. In turn, this may lead to poor decisions about consumption and use of government resources. Those who hold this view would argue that creating a loophole sets the bar too low and undermines reporting and reporting objectives.
3. **Importance During ED Re-deliberations** - In issuing SFFAS 49, the Board noted that, “....because P3s are a form of investment, they should be adequately disclosed in order to assist report users in determining: (a) the important assets of the U.S. government and how effectively they are being managed and (b) the identification of risks.”

In re-deliberating its Exposure Draft in February 2015 in response to comment letters stating that the disclosures were onerous, the Board did not agree with a staff edit to limit this requirement to the reporting period alone. This illustrates the importance the Board placed on this disclosure.

consideration, monetary and non-monetary, and the entity's statutory authority for entering into the P3.

- b. The mix and amount of funding, federal and non-federal, **incurred during the year used** to meet mission requirements and service delivery needs to support the P3.
- c. The operational and financial structure of the P3 including the entity's rights and responsibilities, including:
 - i. A description of the contractual terms governing payments to and from the government over the life of the P3 arrangement or transaction to include:

Comment [GAO11]: 3 Feb - Staff Edit – In response to some respondent concerns that disclosures are excessive, staff advises that we limit and clarify that this disclosure applies only to the reporting year in question.

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As a result, the Board recognized that in some cases amounts would be unavailable and decided to add that as a condition. However, in so doing it also emphasized the importance of funding information by requiring it for the P3's entire expected life.

4. **Adverse Impact to Cash Flow Estimates Management Challenge** – At the October 2022 Board meeting staff was asked to assess why there was a lack of disclosures regarding cash flow estimates. In addition to agencies stating the overall difficulty in quantifying said estimates and the uncertainty if dollar estimates should be discounted, auditors noted that the “where available” at paragraph 24 b. language was being used as a basis to avoid reporting payment information as required at paragraph 24c. (ii) and 24d (i).
5. **Task Force Concurrence to the Proposed Amendment** - During a recent task force review conducted in January 2023, the overwhelming consensus was to amend paragraph 24b to eliminate the loophole.

Those task force members opposing the amendments stated:

- (1) clarifying that the exception is not meant exclusively for non-federal partner's funding amount is a better route to take since the deleted phrases/sentence are useful to federal funding and
- (2) there is also a concern that releasing certain partner information (especially if there is only one, even though disclosed as an aggregate) could lead users of the statements to form an inaccurate opinion that negatively impact partners. A partner could possibly hold the reporting agency liable for negative impacts, e.g., negative rating for financial stability in contract proposals. There is also a concern that preparers will resort to guesstimating private partner information.

Staff believes that the first concern is reflective of a task force entity's inability to properly account for its investments in a P3 and as such, would be inappropriate to create such an exception while requiring the very same entity to obtain said information from its private partner. Such an approach seems to run contrary to improving federal financial management practices.

Regarding the second concern, staff notes the non sequitur of this position. SFFAC 1, *Objectives of Federal Financial Reporting* clearly notes the importance of demonstrating accountability, providing useful information and helping internal users assess government performance. Moreover, the Operating Performance objective is directly tied to this disclosure because it helps a user determine program costs, how such programs were financed, and how effectively they were managed. Moreover, staff believes that information can be properly presented or discussed in a manner to help address any concerns regarding private company information.

Recommendation

Proposed Amendment

Staff recommends amending the existing paragraph to delete the exception altogether. The suggested amendment would be as follows:

24b. A description of federal and non-federal funding of the P3 over its expected life, including the mix and, ~~where available,~~ the amounts of such funding. ~~For any amounts that are not available, the disclosures should indicate such.~~

Question for the Board:

3. Do members agree with the proposal of removing the exception in paragraph 24b of SFFAS 49?

IV. Proposed Amendments to SFFAS 3: guidance updates for seized and forfeited digital assets – Joshua Williams

Background

FASAB has never addressed reporting guidance for digital assets. Some federal entities have been analogizing the seized and forfeited property guidance from [SFFAS 3, *Accounting for Inventory and Related Property*](#), paragraphs 57 through 78 to report digital assets typically seized and forfeited as part of criminal investigations. However, some federal entities have approached staff about reporting and auditing issues with applying the SFFAS 3 seized and forfeited property reporting requirements to digital assets.

Federal entities have reported that the value and occurrence of seized and forfeited digital assets have become more material in recent years. Furthermore, the Board issued SFFAS 3 before digital assets existed. Staff therefore believes that reporting guidance updates for SFFAS 3 could benefit preparers and users of seized and forfeited digital asset information.

Objective

Staff consulted with a working group to develop staff's analysis to recommend that the Board update SFFAS 3 for seized and forfeited digital assets.

Research

Staff consulted with a small working group to develop this issues paper for the Board's consideration. The working group consists of approximately 15 volunteers from

1. Department of Justice
2. Department of Defense
3. Department of Homeland Security
4. Treasury's Fiscal Service
5. Commodity Futures Trading Commission
6. Defense Finance and Accounting Service
7. Federal Bureau of Investigation
8. Audit firms

The volunteers consist of federal employees primarily from accounting, financial management, and OIG offices. For this analysis, the working group focused on

1. The scope of digital assets that seized and forfeited property guidance should address
2. Issues that federal entities face when using SFFAS 3 to report seized and forfeited digital assets

In March, staff held a roundtable with the working group to discuss staff's analysis.

Scope

Some federal entities deal with a wide range of seized and forfeited digital assets that could include, but are not limited to⁵

1. Crypto assets
2. Stable coins
3. Non-fungible tokens (NFTs)
4. Central bank digital currencies (CBDCs)
5. Security tokens
6. Privacy coins

One working group member stated there are many more types of digital assets that could apply to seized and forfeited property guidance and that it would not be feasible to name them all. Therefore, this analysis attempts to identify the major digital assets but the scope could theoretically include any type of digital asset.

Staff is not currently aware of any other significant uses of digital assets in the federal environment. Some federal entities have indicated purchasing an insignificant amount of cryptocurrency for operational purposes, which is not relevant to the scope of this effort.

Current Reporting Issues

Federal entities and auditors have reported the following issues with reporting seized and forfeited digital assets when applying SFFAS 3.

⁵ See Emerging Technology, *Demystifying cryptocurrency and digital assets*, <https://www.pwc.com/us/en/tech-effect/emerging-tech/understanding-cryptocurrency-digital-assets.html>, for a description of digital assets.

- FASAB guidance does not address whether digital assets are monetary or non-monetary property. This distinction is important due to the different reporting requirements for monetary and non-monetary property in SFFAS 3.
- Seized property guidance in SFFAS 3 does not address intangible property as a non-monetary instrument while forfeited property guidance does. However, it is not clear why the Board omitted intangible property from seized property guidance. Additionally, one working group member has questioned whether seized digital assets would meet FASAB's asset concepts. This has caused confusion for preparers when determining whether they only need to report forfeited digital assets.
- Preparers generally have difficulties measuring fair market value for seized and forfeited digital assets because market prices are volatile, not reliable, and/or not readily available for many digital assets. This could lead to inaccurate user information. Additionally, some preparers have difficulties deciding when management can "readily determine" fair value for a digital asset. This can result in disagreements with auditors over when fair value reporting is appropriate.
- Some preparers have experienced audit issues with seized or forfeited digital assets that are evidence in active criminal investigations. Staff understands the issue relates to auditors having difficulty confirming existence and control.
- One working group member questioned if additional disclosures beyond SFFAS 3 should be required for digital assets at the agency-level and for the Consolidated Financial Report of the US Government.

This list is not exhaustive but represents the major issues that staff has identified through research and working group input.

Analysis and Recommendation for the Board

Staff recommends that the Board develop guidance updates for SFFAS 3 to address seized and forfeited digital assets. As previously stated, a few preparers are dealing with increasingly material amounts of seized and forfeited digital assets in the federal space. As a result, staff has received multiple inquiries from preparers in the past year related to difficulties with applying SFFAS 3 to seized and forfeited digital assets.

Furthermore, staff believes that amending the seized and forfeited property guidance in SFFAS 3 to apply to digital assets is the best course of action to address this financial reporting guidance need. This is because research indicates that any material activity with digital assets in the federal environment specifically relates to seized and forfeited property, for which level A GAAP already exists. Therefore, staff believes that amending the existing relevant level A GAAP in SFFAS 3 is the most efficient method to address these current financial reporting guidance issues with digital assets and a new standard addressing digital assets in general is not currently needed in the federal space.

Question for the Board:

4. Do members agree with staff's recommendation to develop guidance updates for SFFAS 3 to address seized and forfeited digital assets?

Next Steps

Pending Board feedback, staff will continue collaborating with the working group to draft and recommend SFFAS 3 amendments for the Board's approval to apply and clarify seized and forfeited property guidance for digital assets. Staff will also seek out potential users of such information for insight into what kind of information would be useful in financial reports. Staff plans to present the suggested amendments to members during the upcoming June 2023 meeting.

OMNIBUS AMENDMENTS 202X

Statement of Federal Financial Accounting Standards XX **Exposure Draft**

Written comments are requested by [date 90 days after issuance]

Month day, year

Working Draft – Comments Are Not Requested on This Draft

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 of the United States 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.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- [“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: \[www.fasab.gov\]\(http://www.fasab.gov\).](#)

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ISSUE DATE

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

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) requests your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards, entitled *Omnibus Amendments 2023*. Specific questions for your consideration appear on page **Error! Bookmark not defined Error! Bookmark not defined.**, but you are welcome to comment on any aspect of this proposal. If you do not agree with specific matters or proposals, your responses will be most helpful to the Board if you explain the reasons for your positions and any alternatives you propose.

Responses are requested by **DUE DATE**.

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

Please provide your comments by email to fasab@fasab.gov. We will confirm receipt of your comments. If you do not get a confirmation, please contact our office at 202-512-7350 to determine if your comments were received. If you are unable to email your responses, please call (202) 512-7350 to make alternate arrangements.

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

FASAB will publish notice of the date and location of any public hearing on this document in the Federal Register and in its newsletter.

Sincerely,

George A. Scott
Chair

EXECUTIVE SUMMARY

WHAT IS THE BOARD PROPOSING?

The objective of this proposed Statement is to retain the requirement to report oil and gas information as Required Supplementary Information (RSI) by rescinding paragraphs 6 and 31 of SFFAS 38.

HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

SFFAS 38 indicated that the Board may transition the reporting requirements in SFFAS 38 from RSI to either financial statement recognition or note disclosure at a future time. The Board proposes that the reporting requirements remain as RSI.

MATERIALITY

The provisions of this Statement need not be applied to immaterial items. A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

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QUESTIONS FOR RESPONDENTS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) encourages you to become familiar with all proposals in the Statement before responding to the questions below. In addition to the questions below, the Board also welcomes your comments on other aspects of the proposed Statement. Because FASAB may modify the proposals before a final Statement 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 are especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to federal financial reporting objectives. The Board 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 regarding implementing this proposal.

The questions in this section are available in a Microsoft Word file for your use at <https://www.fasab.gov/documents-for-comment/>. Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please contact us at (202) 512-7350.

All responses are requested by [insert date].

- Q1. SFFAS 38 requires the value of the federal government’s estimated petroleum royalties from the production of federal oil and gas proved reserves be reported in a schedule of estimated federal oil and gas petroleum royalties by the component entity that is responsible for collecting royalties and be presented in required supplementary information (RSI). It was the Board’s intent when SFFAS 38 was issued that the information required by SFFAS 38 would eventually transition from presentation in RSI to basic information after three years. The Board is proposing that the information required in SFFAS 38 continues to be reported as RSI. Do you agree with the Board’s decision? Please explain.
- Q2. The Board believes that SFFAS 38 reporting requirements presented as RSI meets the needs of financial statement users. Do you agree with the Board’s position? Please explain.

PROPOSED STANDARDS

SCOPE

1. This Statement applies to federal entities that present general purpose federal financial reports (GPFFRs), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

AMENDMENTS TO SFFAS 38

2. This paragraph rescinds paragraphs 6 and 31 of SFFAS 38:

~~6. It is the Board's intent that the information required by this Statement 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. This Statement will remain in effect until such time a determination is made.~~

~~31. It is the Board's intent that the information required by this Statement 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. This Statement will remain in effect until such time a determination is made.~~

EFFECTIVE DATE

3. The requirements of this Statement are effective upon issuance.

The provisions of this Statement need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, Objectives of Federal Financial Reporting, chapter 7, titled Materiality, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—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 Statements that affects this Statement. Within the text of the Statements, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of amending Statements for the rationale for each amendment.

PROJECT HISTORY

- A1. FASAB issued SFFAS 38, *Accounting for Federal Oil and Gas Resources*, on April 13, 2010. 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. In addition, SFFAS 38 requires the value of estimated petroleum royalty revenue designated for others be reported in a schedule of estimated federal oil and gas petroleum royalties to be distributed to others, as part of a discussion of all significant federal oil and gas resources under management of the entity.
- A2. On July 6, 2011, FASAB issued SFFAS 41, which deferred the effective date of SFFAS 38 from periods beginning after September 30, 2011 to periods beginning after September 30, 2012.
- A3. At the time SFFAS 38 was issued, the Board believed that the estimated federal royalty share of proved oil and gas reserves should be presented as basic information, since the quantity of the estimated federal proved oil and gas reserves can be reliably estimated and converted to monetary terms. However, members wanted to gather more information about the reliability of the valuation methodology before the Board made a final decision on whether the information should be recognized on the face of the financial statements or disclosed in the notes to the financial statements. The Board agreed to require the information to be reported in RSI for three years. Before the end of the three-year RSI period, the Board planned to make a determination as to whether the information would transition to basic information as financial statement recognition or note disclosure. The Board acknowledged that new information might become available that would warrant continued reporting as RSI.
- A4. Between 2012 and 2014, the reassessment of the SFFAS 38 reporting requirements was removed as a potential Board project due to other priorities.

- A5. In August 2022, the Board revisited the open-ended reporting requirement in SFFAS 38 paragraphs 6 and 31. The Board acknowledged its original intent in 2010 was to transition oil and gas reporting from RSI to basic information after three years was based on the belief that over time there would be improvements in certain measurement approaches for valuing royalties from oil and gas proved reserves. However, based on discussions with the Department of the Interior (Interior), measurement challenges still remain.
- A6. Interior's valuation methodology for oil and gas petroleum royalties from federal onshore and offshore oil and gas proved reserves is based on oil and gas proved reserve estimates published by the Energy Information Administration (EIA). Because the EIA published national oil and gas proved reserve estimates are developed from well operators' estimated proved reserves and are not subject to audit, verifying the proprietary information will be challenging.
- A7. In addition, the EIA oil and gas proved reserve estimates are not separated between federal and non-federal and therefore Interior estimates the federal portion of each state's oil and gas proved reserves using production on federal land. However, production on federal land only provides an indirect correlation in the valuation methodology.
- A8. The valuation methodology for estimating the federal royalty share of proved oil and gas reserves assumes 100 percent of the oil and gas proved reserves will be produced over time. Uncertainties about future production affect this assumption, resulting in additional uncertainties.
- A9. The Board also considered the oil and gas price fluctuations that may result in significant changes in the asset value of future royalty revenues between reporting periods, and the resulting diminished meaningfulness of asset value to users.
- A10. One objective of the Board's reexamination of existing standards project is to eliminate or revise unnecessary requirements to reduce reporting burden. The Board concluded that changing the reporting requirements under SFFAS 38 to basic information may add to reporting burden without producing increased reporting benefits.
- A11. The Board acknowledged that actual royalties collected and distributed are currently recognized and disclosed in accordance with SFFAS 7, *Accounting for Revenue and Other Financing Sources*. The Board does not believe there is a further benefit to recognize future royalties as basic information.
- A12. Research on natural resources reporting revealed that, as of the date of this exposure draft, several other accounting standard-setters and one regulatory agency¹ either require supplementary information reporting of reserve quantities and asset value due to reliability and cost-benefit considerations or do not require reporting of oil and gas information.
- A13. Considering the significant measurement uncertainties and associated challenges, the Board believes that the potential benefits do not justify the cost and added burden to increase the reliability of the oil and gas information for basic information presentation,

¹ Financial Accounting Standards Board, Government Accounting Standards Board, International Financial Reporting Standards Foundation, and International Public Sector Accounting Standards Board, and U.S. Securities and Exchange Commission

therefore, the Board agreed to propose that the SFFAS 38 reporting requirements remains as RSI.

APPENDIX B: ABBREVIATIONS

CFR	Consolidated Financial Report of the U.S. Government
ED	Exposure Draft
EIA	Energy Information Administration
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GPFFR	General Purpose Federal Financial Report
OMB	Office of Management and Budget
RSI	Required Supplementary Information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards

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OMNIBUS AMENDMENTS 202~~3~~X

Statement of Federal Financial Accounting Standards **XX**
Exposure Draft

Written comments are requested by [date 90 days after issuance]

Month day, year

Working Draft – Comments Are Not Requested on This Draft

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

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ISSUE DATE

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FASAB's rules of procedure provide that the Board may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft. **or A public hearing has been scheduled at 9:00 a.m. on Month Day, Year, in Room 7C13 at the Government Accountability Office, 441 G Street, NW, Washington, D.C. 20548.**

FASAB will publish notice of the date and location of any public hearing on this document in the Federal Register and in its newsletter.

Sincerely,

George A. Scott
Chair

EXECUTIVE SUMMARY

WHAT IS THE BOARD PROPOSING?

The objective of this proposed Statement is to ~~address the open proposal in Statement of Federal Financial Accounting Standards (SFFAS) 38. This proposed Statement would:~~

~~E~~eliminate the requirement to transition the retain the requirement to report oil and gas information ~~from as~~ Required Supplementary Information (RSI) ~~to basic information~~ by rescinding paragraphs 6 and 31 of SFFAS 38.

HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

SFFAS 38 ~~requires indicated that...~~ the Board's ~~determination on whether to~~ may transition the reporting requirements in SFFAS 38 from RSI to either financial statement recognition or note disclosure ~~, or the information should remain as RSI at a future time.~~ The Board ~~determined~~ proposes that the reporting requirements ~~should remain in as~~ RSI. ~~This proposal would eliminate the requirement in SFFAS 38 to transition the information to basic information.~~

MATERIALITY

The provisions of this Statement need not be applied to immaterial items. A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

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QUESTIONS FOR RESPONDENTS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) encourages you to become familiar with all proposals in the Statement before responding to the questions below. In addition to the questions below, the Board also welcomes your comments on other aspects of the proposed Statement. Because FASAB may modify the proposals before a final Statement 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 are especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to federal financial reporting objectives. The Board 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 regarding implementing this proposal.

The questions in this section are available in a Microsoft Word file for your use at <https://www.fasab.gov/documents-for-comment/>. Your responses should be sent to fasab@fasab.gov. If you are unable to respond by email, please contact us at (202) 512-7350.

All responses are requested by **[insert date]**.

- Q1. SFFAS 38 requires the value of the federal government’s estimated petroleum royalties from the production of federal oil and gas proved reserves be reported in a schedule of estimated federal oil and gas petroleum royalties by the component entity that is responsible for collecting royalties and be presented in required supplementary information (RSI). It was the Board’s intent when SFFAS 38 was issued that the information required by SFFAS 38 would eventually transition from presentation in RSI to basic information after three years ~~as RSI~~. The Board is ~~now~~ proposing that the information required in SFFAS 38 continues to be reported as RSI. Do you agree with the Board’s decision ~~that the information continues to be reported as RSI~~? Please explain.
- Q2. The Board believes that SFFAS 38 reporting requirements presented as RSI meets the needs of financial statement users. Do you agree with the Board’s position? Please explain.

PROPOSED STANDARDS

SCOPE

1. This Statement applies to federal entities that present general purpose federal financial reports (GPFFRs), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.

AMENDMENTS TO SFFAS 38

2. This paragraph rescinds paragraphs 6 and 31 of SFFAS 38:

~~6. It is the Board's intent that the information required by this Statement 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. This Statement will remain in effect until such time a determination is made.~~

~~31. It is the Board's intent that the information required by this Statement 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. This Statement will remain in effect until such time a determination is made.~~

EFFECTIVE DATE

3. The requirements of this Statement are effective upon issuance.

The provisions of this Statement need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, Objectives of Federal Financial Reporting, chapter 7, titled Materiality, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—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 Statements that affects this Statement. Within the text of the Statements, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect subsequent changes. The reader can review the basis for conclusions of amending Statements for the rationale for each amendment.

PROJECT HISTORY

- A1. FASAB issued SFFAS 38, *Accounting for Federal Oil and Gas Resources*, on April 13, 2010. 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. In addition, SFFAS 38 ~~the standard~~ requires the value of estimated petroleum royalty revenue designated for others be reported in a ~~S~~schedule of estimated federal oil and gas petroleum royalties to be distributed to others, as part of a discussion of all significant federal oil and gas resources under management of the entity ~~effective for periods beginning after September 30, 2011.~~
- A2. On July 6, 2011, FASAB issued SFFAS 41, which deferred the effective date of SFFAS 38 from periods beginning after September 30, 2011 to periods beginning after September 30, 2012.
- A3. At the time SFFAS 38 was issued, the Board believed that the estimated federal royalty share of proved oil and gas reserves should be presented as basic information, since the quantity of the estimated federal proved oil and gas reserves can be reliably estimated and converted to monetary terms. However, members wanted to havegather more information ~~on~~about the reliability of the valuation methodology before the Board made a final decision on whether the information should be recognized on the face of the financial statements or disclosed in the notes to the financial statements. The Board agreed to require the information to be reported in RSI for three years. Before the end of the three-year RSI period, the Board planned to make a determination as to whether the information would transition to basic information as financial statement recognition or note disclosure. The Board acknowledged that new information ~~may~~might become available that would warrant continued reporting as RSI.
- A4. Between 2012 and 2014, ~~T~~he reassessment of the SFFAS 38 reporting requirements was ~~removed as a Boardpotential Board projectmoved to a Board research project status~~

~~in 2012. In 2014, the project was changed to a potential Board project~~ due to other priorities.

- A5. In August 2022, the Board revisited the open-ended reporting requirement in SFFAS 38 paragraphs 6 and 31. The Board acknowledged ~~that the its~~ original intent in ~~2013~~2010 ~~was~~ to transition oil and gas reporting from RSI to basic information after three years was based on the belief that over time there would be improvements ~~towards more in~~ certain measurement approaches for valuing royalties from oil and gas proved reserves. However, based on discussions with the Department of the Interior (Interior), ~~these~~ measurement challenges ~~seem to still~~ remain.
- A6. ~~Interior is responsible for managing the nation's oil and gas resources and the related revenue on federal lands. Accordingly, Interior reports the SFFAS 38 requirements on behalf of the federal government.~~ Interior's valuation methodology for oil and gas petroleum royalties from federal onshore and offshore oil and gas proved reserves is based on oil and gas proved reserve estimates published by the Energy Information Administration (EIA). ~~Given that~~Because the EIA published national oil and gas proved reserve estimates are developed from well operators' estimated proved reserves and are not subject to audit, verifying the proprietary information will be challenging. ~~the Board believes the added incremental cost to Interior to increase the reliability of the oil and gas information for basic reporting would not be cost effective related, given the significant measurement uncertainties and associated challenges.~~
- A7. In addition, the EIA oil and gas proved reserve estimates are not separated between federal and non-federal and therefore Interior estimates the federal portion of each state's oil and gas proved reserves using production on federal land. However, production on federal land only provides an indirect correlation in the valuation methodology. ~~The Board believes transitioning the information to basic information may result in audit challenges for Interior.~~
- ~~A8-A1. The Board also considered the oil and gas price fluctuations that may result in significant changes in the asset value of future royalty revenues between reporting periods.~~
- A8. The valuation methodology for estimating the federal royalty share of proved oil and gas reserves assumes 100 percent of the oil and gas proved reserves will be produced over time. Uncertainties about future production affect this assumption, resulting in additional uncertainties. This may not occur. Given the efforts toward ~~Clean energy initiatives and other,~~ the uncertaintyies of future oil and gas production of oil and gas may also affect the asset value presented as basic information.
- A9. The Board also considered the oil and gas price fluctuations that may result in significant changes in the asset value of future royalty revenues between reporting periods, and the resulting diminished meaningfulness of asset value to users. The Board believes transitioning the information to basic information may result in audit challenges for Interior.
- A9-A10. One objective of the Board's reexamination of existing standards project is to eliminate or revise unnecessary requirements to reduce reporting burden. The Board concluded that changing the reporting requirements under SFFAS 38 to basic information may add to reporting burden without producing increased reporting benefits.

~~A10-A11.~~ The Board acknowledged that actual royalties collected and distributed are currently recognized and disclosed in accordance with SFFAS 7, *Accounting for Revenue and Other Financing Sources*. The Board does not believe there is a further benefit to recognize future royalties as basic information. ~~In addition, the Board believes that reporting actual royalty revenue collected and distributed achieves the four objectives of federal financial reporting: (1) budget integrity, (2) operating performance, (3) stewardship, and (4) systems and controls.~~

~~A11. The Board acknowledged that that there would not be a major change in the information reported between RSI and basic information, and the RSI information provides more relevant and useful information to users of the financial statements.~~

A12. Research on natural resources reporting revealed that, as of the date of this exposure draft, several other accounting standard-setters and one regulatory agency¹ either requires supplementary information reporting of reserve quantities and asset value due to reliability and cost-benefit considerations or ~~does~~ not require reporting of oil and gas information. ~~reserves quantity or the value of estimated future oil and gas revenues.~~

A13. Considering the significant measurement uncertainties and associated challenges, the Board believes that the potential benefits do not justify the cost and added burden to increase the reliability of the oil and gas information for of transitioning the SFFAS 38 reporting requirements to basic information presentation without increased reporting benefits, therefore, the Board unanimously tentatively agreed for proposed to propose that the SFFAS 38 reporting requirements should remains as RSI.

¹ Financial Accounting Standards Board, Government Accounting Standards Board, International Financial Reporting Standards Foundation, and International Public Sector Accounting Standards Board, and U.S. Securities and Exchange Commission

APPENDIX B: ABBREVIATIONS

CFR Consolidated Financial Report of the U.S. Government

ED Exposure Draft

EIA Energy Information Administration

FASAB Federal Accounting Standards Advisory Board

FASB Financial Accounting Standards Board

GAAP Generally Accepted Accounting Principles

GAO Government Accountability Office

~~GASB~~ ~~Governmental Accounting Standards Board~~

GPFFR General Purpose Federal Financial Report

~~IPSASB~~ ~~International Public Sector Accounting Standards Board~~

OMB Office of Management and Budget

RSI Required Supplementary Information

SFFAC Statement of Federal Financial Accounting Concepts

SFFAS Statement of Federal Financial Accounting Standards

FASAB Members

George A. Scott, Chair

R. Scott Bell

Gila J. Bronner

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AMENDMENT TO TECHNICAL BULLETIN 2011-1

ACCOUNTING FOR FEDERAL NATURAL RESOURCES OTHER THAN OIL AND GAS

Technical Bulletin 202X-X

Exposure Draft

Written comments are requested by **Month day, Year**

Month day, year

Working Draft – Comments Are Not Requested on This Draft

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 of the United States 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.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an exposure draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information is available from 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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TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the exposure draft of a proposed Technical Bulletin, entitled *Technical Bulletin 2023-X: Amendment to Technical Bulletin 2011-1, Accounting for Federal Natural Resources Other Than Oil and Gas*, are requested. Specific questions for your consideration appear on page 3, 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 **DUE DATE**.

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

Please provide your comments by email to fasab@fasab.gov. We will confirm receipt of your comments. If you do not get a confirmation, please contact our office at 202-512-7350 to determine if your comments were received. If you are unable to email your responses, please call (202) 512-7350 to make alternate arrangements.

Sincerely,

Monica R. Valentine

Monica R. Valentine

Executive Director

EXECUTIVE SUMMARY

WHAT GUIDANCE IS BEING PROPOSED?

This proposed guidance would:

- Retain the requirement to report natural resources other than oil and gas as required supplementary information (RSI) by rescinding paragraphs 5 and 31 of Technical Bulletin (TB) 2011-1.

HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

The Board issued Omnibus Amendments 202X on **Month Day, 2023**, amending SFFAS 38 by retaining the requirement in SFFAS 38 as RSI. This proposal would provide the necessary updates to TB 2011-1 to reflect the changes in the amended SFFAS 38.

MATERIALITY

The provisions of this Technical Bulletin need not be applied to immaterial items. A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

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QUESTIONS FOR RESPONDENTS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) 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 also would welcome your comments on other aspects of the proposed Technical Bulletin. 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.

FASAB staff believes 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 regarding implementing this proposal.

The questions in this section are available in a Microsoft Word file for your use at <https://www.fasab.gov/documents-for-comment/>. Your responses should be sent by email to fasab@fasab.gov. If you are unable to respond by email, please fax your responses to (202) 512-7366. Alternatively, you may mail your responses to:

Monica R. Valentine, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 1155
Washington, DC 20548

All responses are requested by **Month day, 2023**.

- Q1. TB 2011-1 applies the reporting requirements in Statement of Federal Financial Accounting Standards (SFFAS) 38, *Accounting for Federal Oil and Gas Resources*, to federal natural resources other than oil and gas. TB 2011-1 requires the value of the federal government’s estimated royalties and other revenue from federal natural resources that are (1) under lease, contract, or other long-term agreement and (2) reasonably estimable as of the reporting date reported in required supplementary information (RSI). It was the Board’s intent when SFFAS 38 was issued that the information required by SFFAS 38 would eventually transition from presentation in RSI to basic information after three years. The Board subsequently amended SFFAS 38 to retain the reporting requirements as RSI in Omnibus Amendments 202X. The Board is proposing to amend TB 2011-1 accordingly. Do you agree with the Board’s decision that the information required in TB 2011-1 continue to be reported as RSI? Please explain.
- Q2. The Board believes that TB 2011-1 reporting requirements presented as RSI meets the needs of financial statement users. Do you agree with the Board’s position? Please explain?

PROPOSED TECHNICAL GUIDANCE

SCOPE

1. **What reporting entities are affected by this Technical Bulletin (TB)?**
2. This guidance applies to all reporting entities that present general purpose federal financial reports (GPFFRs), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP) as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.
3. **What accounting practices are addressed in this TB?**
4. This TB rescinds paragraphs 5 and 31 of TB 2011-1.

~~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 required by SFFAS 38 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.~~

~~31. 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 required by SFFAS 38 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.~~

EFFECTIVE DATE

5. The requirements of this TB are effective upon issuance.

The provisions of this Technical Bulletin need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, Objectives of Federal Financial Reporting, chapter 7, titled Materiality, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

The Federal Accounting Standards Advisory Board (FASAB or “the Board”) has authorized its staff to prepare 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 October 2010, 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.

This guidance 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 guidance. 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.

PROJECT HISTORY

- A1. FASAB issued SFFAS 38, *Accounting for Federal Oil and Gas Resources*, on April 13, 2010. 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. In addition, SFFAS 38 requires the value of estimated petroleum royalty revenue designated for others be reported in a schedule of estimated federal oil and gas petroleum royalties to be distributed to others, as part of a discussion of all significant federal oil and gas resources under management of the entity.
- A2. On July 6, 2011, FASAB issued SFFAS 41, which deferred the effective date of SFFAS 38 from periods beginning after September 30, 2011 to periods beginning after September 30, 2012.
- A3. Also on July 6, 2011, FASAB issued Technical Bulletin 2011-1: *Accounting for Federal Natural Resources Other than Oil and Gas*, which applies the general principles in SFFAS 38 and requires federal entities to report in RSI the value of the federal government’s estimated royalties and other revenue from other federal natural resources that are (1) under long-term lease, long-term contract or other long-term agreement and (2) reasonably estimable as of the reporting date.
- A4. At the time SFFAS 38 was issued, the Board intended that the information required in SFFAS 38 would transition to basic information after being reported as RSI for three

years. Prior to the conclusion of the three-year RSI period, the Board would make a determination as to whether the information would transition to basic information either as financial statement recognition or note disclosure. In the Basis for Conclusions of SFFAS 38 paragraph A40, the Board acknowledged that new information might become available that would warrant continued reporting as RSI.

- A5. Between 2012 and 2014, the reassessment of the SFFAS 38 reporting requirements was removed as a potential Board project due to other priorities
- A6. In 2022, the Board revisited the SFFAS 38 reporting requirements. Considering the significant measurement uncertainties and associated challenges related to the estimation methodology for federal oil and gas royalties, the Board agreed to amend SFFAS 38 to retain the reporting as RSI. As TB 2011-1 applied the reporting requirements in SFFAS 38 to natural resources other than oil and gas, the Board also agreed that TB 2011-1 needed to be amended to conform to the amended SFFAS 38.
- A7. Coal is the only significant federal natural resources reported under the requirements of TB 2011-1. The estimation methodology for royalties from federal coal recoverable reserves relies on assumptions that result in uncertainties and challenges:
 - a. The amount of coal in a federal lease is difficult to estimate because the geologic model is based on wide spaced exploration drilling and necessitates the use of geologic assumptions that may not be accurate.
 - b. Estimates of recoverable reserves change when assumptions, such as price and mining technology, change.
 - c. The methodology is based on current year production and projected future production until the reserves are 100% depleted, resulting in additional uncertainties.
 - d. Coal price fluctuations may result in significant changes in the asset value of future royalty revenue projections between reporting periods.
- A8. Considering the significant measurement uncertainties and associated challenges, the Board proposes that the reporting requirements in TB 2011-1 remain as RSI.

APPENDIX B: ABBREVIATIONS

FASAB	Federal Accounting Standards Advisory Board
SFFAS	Statement of Federal Financial Accounting Standards
TB	Technical Bulletin

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Gila J. Bronner

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Sallyanne Harper

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**AMENDMENT TO TECHNICAL
BULLETIN 2011-1**

ACCOUNTING FOR FEDERAL NATURAL RESOURCES OTHER THAN OIL AND GAS

Technical Bulletin 2023~~X~~-X

Exposure Draft

Written comments are requested by **Month day, Year**

Month day, year

Working Draft – Comments Are Not Requested on This Draft

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

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Sincerely,

Monica R. Valentine

Monica R. Valentine

Executive Director

EXECUTIVE SUMMARY

WHAT GUIDANCE IS BEING PROPOSED?

This Technical Bulletin (TB) would address the open-ended reporting requirement in Technical Bulletin 2011-1. This proposed guidance would:

- ~~Eliminate the requirement to transition~~ Retain the requirement to reporting of natural resources other than oil and gas ~~from~~ as Required Supplementary Information (RSI) ~~to basic information~~ by rescinding paragraphs 5 and 31 of Technical Bulletin (TB) 2011-1.

HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

The Board issued Omnibus Amendments 202X3 on **Month Day, 2023**, amending SFFAS 38 by ~~eliminating the requirement to transition the reporting requirements~~ retaining the requirement in SFFAS 38 ~~to basic information either as financial statement recognition or note disclosures~~ RSI. This proposal would provide the necessary updates to TB 2011-1 to reflect the changes in the amended SFFAS 38.

MATERIALITY

The provisions of this Technical Bulletin need not be applied to immaterial items. A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances, it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

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FASAB staff believes 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 regarding implementing this proposal.

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Monica R. Valentine, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW, Suite 1155
Washington, DC 20548

All responses are requested by **Month day, 2023**.

- Q1. TB 2011-1 applies the reporting requirements in Statement of Federal Financial Accounting Standards (SFFAS) 38, *Accounting for Federal Oil and Gas Resources*, to federal natural resources other than oil and gas. TB 2011-1 requires the value of the federal government’s estimated royalties and other revenue from federal natural resources that are (1) under lease, contract, or other long-term agreement and (2) reasonably estimable as of the reporting date reported in required supplementary information (RSI). It was the Board’s ~~original~~ intent when SFFAS 38 was issued that the information required by SFFAS 38 would eventually transition from presentation in RSI to basic information after three years-as RSI. The Board subsequently amended SFFAS 38 to retain ~~rescinded the requirement to transition~~ the reporting requirements as RSI to basic information by issuing in Omnibus Amendments 2023X. The Board is proposing to amend TB 2011-1 accordingly. Do you agree with the Board’s decision that the information required in TB 2011-1 continue to be reported as RSI? Please explain.
- Q2. The Board believes that TB 2011-1 reporting requirements presented as RSI meets the needs of financial statement users. Do you agree with the Board’s position? Please explain?

PROPOSED TECHNICAL GUIDANCE

SCOPE

1. **What reporting entities are affected by this Technical Bulletin (TB)?**
2. This guidance applies to all reporting entities that present general purpose federal financial reports (GPFFRs), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP) as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.
3. **What accounting practices are addressed in this TB?**
4. This TB rescinds paragraphs 5 and 31 of TB 2011-1.

~~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 required by SFFAS 38 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.~~

~~31. 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 required by SFFAS 38 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.~~

EFFECTIVE DATE

5. The requirements of this TB are effective upon issuance.

The provisions of this Technical Bulletin need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, Objectives of Federal Financial Reporting, chapter 7, titled Materiality, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

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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.

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PROJECT HISTORY

- A1. FASAB issued SFFAS 38, *Accounting for Federal Oil and Gas Resources*, on April 13, 2010. 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. In addition, ~~SFFAS 38~~the standard requires the value of estimated petroleum royalty revenue designated for others be reported in a ~~S~~schedule of estimated federal oil and gas petroleum royalties to be distributed to others, as part of a discussion of all significant federal oil and gas resources under management of the entity ~~effective for periods beginning after September 30, 2011~~.
- A2. On July 6, 2011, FASAB issued SFFAS 41, which deferred the effective date of SFFAS 38 ~~from periods beginning after September 30, 2011~~ to periods beginning after September 30, 2012.
- A3. Also on July 6, 2011, FASAB issued Technical Bulletin 2011-1: *Accounting for Federal Natural Resources Other than Oil and Gas*, which applies the general principles in SFFAS 38 and requires federal entities to report in RSI the value of the federal government’s estimated royalties and other revenue from other federal natural resources that are (1) under long-term lease, long-term contract or other long-term agreement and (2) reasonably estimable as of the reporting date ~~in RSI effective for periods beginning after September 30, 2013~~.

- A4. At the time SFFAS 38 was issued, the Board intended that the information required in SFFAS 38 would transition to basic information after being reported as RSI for three years. Prior to the conclusion of the three-year RSI period, the Board would make a determination as to whether the information would transition to basic information either as financial statement recognition or note disclosure. In the Basis for Conclusions of SFFAS 38 paragraph A40, ~~the Board acknowledged that new information might become available that would warrant continued reporting as RSI.~~
- A5. Between 2012 and 2014, ~~the reassessment of the SFFAS 38 reporting requirements was removed to as a potential Board research project status in 2012. In 2014, the project was changed to a potential Board project due to other priorities~~
- ~~A6. In August and December 2022, the Board revisited the open-ended reporting requirement in SFFAS 38 reporting requirements. Considering the significant measurement uncertainties and associated challenges related to the estimation methodology for federal oil and gas royalties, the Board agreed to amend SFFAS 38 to retain the reporting as RSI. As TB 2011-1 applied the reporting requirements in SFFAS 38 to natural resources other than oil and gas, the Board also agreed that TB 2011-1 needed to be amended to conform to the amended SFFAS 38. The Board acknowledged that that there would not be a major change in the information reported between RSI and basic information, and the RSI information provides more relevant and useful information to users of the financial statements.~~
- ~~A7. Considering the potential cost and added burden of transitioning the SFFAS 38 reporting requirements to basic information without increased reporting benefits, the Board unanimously agreed that the SFFAS 38 reporting requirements remain as RSI.~~
- ~~A6. In Month day, 2023, the Board rescinded the requirement to transition natural resources reporting in SFFAS 38 to basic information with the issuance of Omnibus Amendments 2023.~~
- ~~A7. Coal is the only significant federal natural resources reported under the requirements of TB 2011-1. The estimation methodology for royalties from federal coal recoverable reserves relies on assumptions that result in uncertainties and challenges:~~
- ~~a. The amount of coal in a federal lease is difficult to estimate because the geologic model is based on wide spaced exploration drilling and necessitates the use of geologic assumptions that may not be accurate.~~
 - ~~b. Estimates of recoverable reserves change when assumptions, such as price and mining technology, change.~~
 - ~~c. The methodology is based on current year production and projected future production until the reserves are 100% depleted, resulting in additional uncertainties.~~
 - ~~d. Coal price fluctuations may result in significant changes in the asset value of future royalty revenue projections between reporting periods.~~
- ~~A8. Considering the significant measurement uncertainties and associated challenges, the Board proposes that the reporting requirements in TB 2011-1 remain as RSI.~~

APPENDIX B: ABBREVIATIONS

FASAB	Federal Accounting Standards Advisory Board
SFFAS	Statement of Federal Financial Accounting Standards
TB	Technical Bulletin

FASAB Members

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