FASAB
THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

OMNIBUS AMENDMENTS 2024-1

AMENDING STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING STANDARDS 38, 49, AND TECHNICAL BULLETIN 2011-1

Statement of Federal Financial Accounting Standards 63

April 12, 2024

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
- Documents for comment
- Statements of Federal Financial Accounting Standards and Concepts
- FASAB newsletters

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SUMMARY

This Statement of Federal Financial Accounting Standards (SFFAS) retains the requirement to report oil, gas, and other natural resource information as required supplementary information by rescinding (1) paragraphs 6 and 31 of SFFAS 38, *Accounting for Federal Oil and Gas Resources,* and (2) paragraphs 5 and 31 of Technical Bulletin 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas.*

This SFFAS also removes the “where available” exception and provides flexibility for developing estimates in accordance with paragraph 24.b. of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*.

MATERIALITY

The provisions of this Statement need not be applied to information if the effect of applying the provision(s) is immaterial.[1] 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.

[1] 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.

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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*.

2. This Statement amends the following guidance:

    a. SFFAS 38, *Accounting for Federal Oil and Gas Resources*

    b. Technical Bulletin (TB) 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*

    c. SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*

Amendments To SFFAS 38 and TB 2011-1

3. This paragraph rescinds paragraphs 6 and 31 of SFFAS 38 in their entirety.

~~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.~~

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4. This paragraph rescinds paragraphs 5 and 31 of TB 2011-1 in their entirety.

~~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.~~

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~~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.~~

Amendments to SFFAS 49

5. This paragraph amends paragraph 24.b. of SFFAS 49 as follows:

   24.b. A description of federal and non-federal funding of the P3 over its expected life, including the estimated mix of federal and non-federal funding, and~~, where available,~~ the estimated amounts of such funding.[10A 10B] ~~For any amounts that are not available, the disclosures should indicate such.~~

   FN 10A – Such estimated amounts may be specific amounts or a range of amounts of the funding. Disclosure should include the basis for management's estimates (for example, based on contract terms, initial estimates of P3 funding, etc.) as well as any significant uncertainties surrounding the estimates.

   FN 10B – Funding, as used here, relates to the amount of contributions of federal and non-federal capital, equity, or debt instruments to the P3 project, but excludes ongoing operating revenues and costs. Such funding may take different forms, such as cash, tangible assets, leaseholds, loans, and/or loan guarantees. In contrast, paragraph 24.c.ii. relates to the federal entity's aggregate cash flows to be received and to be paid over the remaining expected life of the P3, which comprise ongoing operating revenues and costs.

Effective Date

6. 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 affect 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

OIL, GAS, AND OTHER NATURAL RESOURCES REPORTING

A1. The Federal Accounting Standards Advisory Board (FASAB or "the Board") issued SFFAS 38 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, *Deferral of the Effective Date of SFFAS 38*, 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 TB 2011-1, which applies the general principles in SFFAS 38 and requires federal entities to report as required supplementary information (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 and TB 2011-1 were issued, the Board believed that the estimated federal royalty share of proved oil and gas reserves and recoverable reserves of other natural resources could be reliably estimated and converted to monetary terms and, therefore, could be presented as basic information. 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 that the information be reported as RSI for three years. Before the end of the three-year RSI period, the Board planned to decide 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.

A5. Between 2012 and 2014, FASAB removed the reassessment of the SFFAS 38 reporting requirements as a potential Board project due to other priorities.

A6. In August 2022, the Board revisited the open-ended reporting requirement in paragraphs 6 and 31 of SFFAS 38 and paragraphs 5 and 31 of TB 2011-1. The Board acknowledged its original intent to transition natural resources 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 and recoverable reserves of other natural resources. However, based on discussions with the Department of the Interior, measurement challenges remain.

A7. 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 Department of Energy's 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 would be challenging.

A8. 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 and thereby increases the associated uncertainties.

A9. 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.

A10. 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.

A11. Coal is the only significant federal natural resource 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 be inaccurate.

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 percent depleted.

d. Coal price fluctuations may result in significant changes in the asset value of future royalty revenue projections between reporting periods.

A12. 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 and TB 2011-1 to basic information may add to reporting burden without yielding reporting benefits.

A13. 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 and Concepts for Reconciling Budgetary and Financial Accounting.* The Board concluded that there is no further benefit to recognize future royalties as basic information.

A14. The Board noted that the Financial Accounting Standards Board and the U.S. Securities and Exchange Commission require reporting of oil and gas reserve quantities and asset value as RSI rather than as basic information.

A15. Considering the significant measurement uncertainties and associated challenges, the Board concluded that the potential benefits do not justify the cost and added burden to increase the reliability of the oil, gas, and other natural resources information for basic information presentation; therefore, the Board concluded that the SFFAS 38 and TB 2011-1 reporting requirements should remain as RSI.

PUBLIC-PRIVATE PARTNERSHIPS

A16. At the October 2022 Board meeting, staff briefed the Board concerning SFFAS 49 implementation challenges. Staff had met with two federal Inspectors General, a public accounting (audit) firm, and two financial policy accountants to help identify challenges they saw requiring attention. Additionally, staff conducted agency one-on-one meetings as well as training and outreach sessions to help identify potential impediments to SFFAS 49 implementation.

A17. As a result, staff identified 15 implementation challenges (some of which were deemed beyond the Board's control or overlapping with other noted challenges) that could benefit from additional Board guidance in the form of SFFAS amendments, Interpretations, or other technical guidance. In December 2022, staff assembled an SFFAS 49 public-private partnership (P3) implementation task force to further study implementation issues, such as preparer or auditor challenges, and related Board action that might be necessary. At a January 2023 meeting, the task force concluded that an amendment to paragraph 24.b. might be beneficial.

A18. Paragraph 24.b. requires "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." Task force representatives noted that paragraph 24.b. of SFFAS 49, which was meant exclusively to allow reporting entities to exclude the amounts of non-federal partner's funding for situations when such information is unavailable, has been inappropriately applied by some reporting entities to exclude reporting of (1) federal partner funding estimates and (2) cash flows required by paragraphs 24.c. and 24.d. Further, task force representatives noted that non-federal partner funding information may have been excluded without reasonable efforts to obtain or estimate the funding information.

A19. The Board agreed to remove the "where available" exception in paragraph 24.b. to require disclosure of the amounts of non-federal partner funding in all circumstances, regardless of availability, and to avoid potential misapplication of paragraph 24.b. to the amounts of federal funding and other cash flow disclosure requirements. The Board concluded that disclosure of such information is important to inform users as to the amount of funding attributable to each partner within a P3. That is, such amounts invested can affect a user's understanding of the relative risks each partner is undertaking, the relative economic incentives they each bear or share, as well as the overall reasonableness of the P3's expected life. The Board recognizes that non-federal funding information may not always be readily available from the non-federal partners, but reporting entities should be able to estimate it in such circumstances.

SUMMARY OF OUTREACH AND RESPONSES

A20. The Board released an exposure draft (ED) on August 22, 2023, with public comments requested by September 21, 2023. Upon release of the ED, FASAB notified constituents through the FASAB website and listserv, the Federal Register, and FASAB newsletter. FASAB also provided news releases to its press contacts, including various news organizations and committees of professional associations generally commenting on Eds in the past. To encourage responses, a reminder notice was provided to FASAB's listserv near the comment deadline.

A21. The Board received 14 comment letters in response to the ED. The Board did not rely on the number in favor of or opposed to a given position but considered each response and weighed the merits of the points raised.

A22. Respondents unanimously agreed with the amendments to SFFAS 38 and TB 2011-1. The Board confirmed its proposal to retain oil, gas, and other natural resource information in RSI.

A23. However, respondents had mixed views on the proposed amendments to SFFAS 49. The Board considered each response, weighed the merits of the points raised, and ultimately agreed to remove the exception in paragraph 24.b. while providing flexibility on the mix and amounts of federal and non-federal funding required in paragraph 24.b. of SFFAS 49.

CLARIFICATION TO PARAGRAPH 24.B. OF SFFAS 49

A24. Most respondents generally agreed with the Board's proposal to address the "where available" exception via the proposed amendment or with possible modifications to recognize concerns over complexities and difficulties when estimating the mix and amount of non-federal funding. These respondents noted that management should know the mix and amount of non-federal funding as a result of negotiating the P3 arrangements, evaluating the contract terms, and identifying balances and transactions for accounting purposes. Respondents also noted that reasonable estimates should be available for disclosure and that SFFAS 49's language should not be utilized to circumvent the intent of the disclosures.

A25. However, respondents who disagreed with the proposed amendment primarily expressed concerns with what they viewed as (a) difficulties when estimating federal and/or non-federal funding when the information is not available and (b) audit implications when information is not reasonably available.

A26. The Board notes that the majority of respondents, including preparers, agreed that the "where available" exception should be addressed to avoid misapplication. To that end, some respondents suggested that the Board consider making it more difficult to avoid disclosure of private partner funding amounts by clearly noting that the 24.b. exception should not be used to avoid reporting any other paragraph 24 disclosure requirement. To the contrary, other respondents supported the proposed amendment as exposed and expressed concerns with the retention of the "where available" exception even if accompanied by language that would make it more difficult to avoid the appropriate disclosures.

A27. SFFAS 49 was intended to provide preparers and auditors with flexibility concerning private partner funding amounts for those instances when the entity would be legally or contractually prohibited from disclosing said amounts. However, the Board also concluded that, as some respondents have noted, the mix and amount of both federal and non-federal funding are not only precursors to a P3 arrangement/transaction, but they are also necessary for effective management of such projects. For example, several Office of Management and Budget documents require full life cycle reporting and, specific to P3s, assessments of private partner participation for budget scoring purposes.

A28. Nevertheless, to strike a balance between user needs and preparer concerns, the Board concluded that estimates of the mix and amounts of federal and non-federal private partner funding should be permitted in the guidance.

A29. Paragraph 160 of Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting,* states that reliability does not imply precision or certainty and that estimates are appropriate for reporting. This paragraph also states that "under certain circumstances, a properly explained estimate provides more meaningful information than no estimate at all." Specific to the operating performance reporting objective, paragraph 132 of SFFAC 1 mentions the use of estimates or ranges of estimates when referring to exposures to loss, which is of significant concern to some users.

A30. Given that the Board desired a balance between user needs and preparer concerns, it adopted the following clarifying edits to the proposed amendment:

> 24.b. A description of federal and non-federal funding of the P3 over its expected life, including the <u>estimated</u> mix <u>of federal and non-federal funding</u>, and~~, where available,~~ the <u>estimated</u> amounts of such funding.[10A 10B] ~~For any amounts that are not available, the disclosures should indicate such.~~
>
> <u>FN 10A – Such estimated amounts may be specific amounts or a range of amounts of the funding. Disclosure should include the basis for management's estimates (for example, based on contract terms, initial estimates of P3 funding, etc.) as well as any significant uncertainties surrounding the estimates.</u>
>
> <u>FN 10B – Funding, as used here, relates to the amount of contributions of federal and non-federal capital, equity, or debt instruments to the P3 project, but excludes ongoing operating revenues and costs. Such funding may take different forms, such as cash, tangible assets, leaseholds, loans, and/or loan guarantees.</u>

In contrast, paragraph 24.c.ii. relates to the federal entity's aggregate cash flows to be received and to be paid over the remaining expected life of the P3, which comprise ongoing operating revenues and costs.

Using Estimates

A31. Measuring the mix and amount of federal and non-federal private partner funding amounts may require the use of estimates or approximations. According to SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*, to be recognized an item must be measurable, which means a monetary amount can be determined with reasonable certainty or is reasonably estimable. For this reason, the Board notes that it (1) does not seek precision in determining the mix and amount of federal and non-federal private partner funding and (2) does not intend to direct or prescribe the use of any particular approach.

A32. The Board notes that estimates often are used in accounting and financial reporting. The presentation of information based on estimation is not new and can be reliable so long as the estimate is reasonable and based on a rational, systematic, and consistent method. The Board has long recognized that the use of estimation necessarily implies the use of professional judgment. This does not negate the value of the estimate to users of the financial information.

A33. The objective of the federal and non-federal funding disclosure in paragraph 24.b. is to provide information on the relative amounts of funding provided by the P3 parties. This information helps users understand material risks to the federal government. The Board recognized that there may be uncertainty, particularly in estimating the funding provided by non-federal parties. At the same time, the Board concluded that federal entities entering into P3 arrangements or transactions generally have estimates of the relative funding expected to be provided by the parties. This is how federal entities decide to enter into the P3 arrangements. Such initial estimates, adjusted for any material changes in the relative funding by the parties, generally would be sufficient for meeting this disclosure requirement in the absence of more precise estimates. The Board also concluded that the funding estimates need only be updated when there is evidence of a material change in the relative funding by the parties.

BOARD APPROVAL

A34. This Statement was approved for issuance by all members of the Board.

APPENDIX B: ABBREVIATIONS

EIA	Energy Information Administration
ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
P3	Public-Private Partnership
RSI	Required Supplementary Information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
TB	Technical Bulletin

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