

Guidance on the Preparation and Reporting of Heritage Assets, Stewardship Land and Stewardship Investments for the Basic, RSI, and RSSI sections of the Agency Financial Report

Overview: The Statement of Federal Financial Accounting Standards (SFFAS) 29, *Heritage Assets and Stewardship Land* (HASL) requires that Federal entities reference a note on the balance sheet that discloses information about HASL, but no asset dollar amount should be shown. Instead, the note disclosure provides minimum reporting requirements consistent with the previous standards for HASL. These requirements include a description of major categories, physical unit information for the end of the reporting period, physical units added and withdrawn during the year, a description of the methods of acquisition and withdrawal, and condition information. Effective fiscal year (FY) 2015, SFFAS 42: *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*, will amend SFFAS 29 to adopt the revised terminology and rescind “condition” reporting for HASL.

In addition, SFFAS 8, *Supplementary Stewardship Reporting*, establishes standards for Federal entities for reporting Stewardship Investments to highlight their long-term-benefit nature and to demonstrate accountability over them in the Supplementary Stewardship Information section of the Agency Financial Report (AFR).

This document serves as the guidance for the preparation of the HASL and Stewardship Investments to be included in the Principal Financial Statements (Basic), Required Supplementary Information (RSI), and Required Supplementary Stewardship Information (RSSI) sections of the Department of the Interior’s (Interior) AFR effective FY 2015. Bureaus must provide HASL and Stewardship Investments information for the Basic, RSI, and RSSI of the consolidated AFR as follows:

Basic:

- Mission Relevance,
- Stewardship Policies,
- Stewardship Land,
- Non-Collectible Heritage Assets, and
- Collectible Heritage Assets;

RSI:

- Deferred Maintenance and Repairs,
- Oil, Gas, and other Natural Resources reported under SFFAS 38 and Technical Bulletin 2011-1;

RSSI:

- Investments – (Research and Development, Human Capital, and Non-Federal Physical Property).

I. BASIC

- A. **Narrative Information:** Bureaus should provide a concise statement explaining how heritage assets relate to the overall mission of the Bureau. Types of information that demonstrate this relationship are in compliance with laws and regulations and specific designation by authoritative bodies. Bureaus should also provide a brief description of the stewardship policies for heritage assets that include the goals and principles the Bureau has established to guide the acquisition, maintenance, use, and disposal of heritage assets consistent with statutory requirements, prohibitions, and limitations governing the Bureau and the heritage assets. This narrative information appears as a Note in the Notes to Principal Financial Statements (Basic).
- B. **Federal Stewardship Land:** Federal stewardship land is defined as land owned by the Federal Government that was not acquired for or in connection with general property, plant and equipment (PP&E). Land is defined as the solid part of the surface of the earth. Excluded from the definition are the natural resources (that is, depletable resources, such as mineral deposits and petroleum; renewable resources, such as timber; and the outer-continental shelf resources) related to land. Certain assets, such as national parks, may be defined as both stewardship land and heritage assets. Thus, these assets could be reported by the same number of physical units under stewardship land (e.g., parks) and non-collectible heritage assets. Federal stewardship land is reported in terms of physical units of a major category rather than acreage, cost, fair value, or other monetary value.

For the categories of stewardship land included in the Lands Template, Bureaus are required to:

- Provide the additions and withdrawals of Federal units during the FY.
- Ensure the ending balance for the previous FY is the beginning balance for the current FY; any changes will be reflected as additions/deletions.
- Ensure the physical unit being used is included in the land template.

Bureau submissions should include a description of each major category of stewardship land use. When units of land have more than one use, the predominant use of the land should be considered the major use. In cases where land has multiple uses, none of which is predominant, a description of the multiple uses should be presented. For each major category of stewardship land use, the following should be submitted:

- The number of physical units by major category of stewardship land use for which the entity is the steward as of the end of the reporting period;
- The number of physical units by major category of stewardship land use that were acquired and the number of physical units by major category of stewardship land use that were withdrawn during the reporting period; and
- A description of the major methods of acquisition and withdrawal of stewardship land during the reporting period.

C. **Heritage Assets:** Heritage assets are PP&E that are unique because of historical or natural significance; cultural, educational, or artistic importance; or for significant architectural characteristics. Heritage assets are generally expected to be preserved indefinitely. Heritage assets include non-collectible heritage assets, such as properties that have been officially designated, and collectible heritage assets, such as library and museum collections.

1. Non-Collectible Heritage Assets.

The primary factor utilized to determine whether stewardship assets should be included in note disclosure is whether or not they have been either Presidentially, Congressionally, or Departmentally (by the Secretary of the Interior) designated (not proposed). Using only these official designations as the criteria for inclusion into footnote disclosure takes the scientific burden of proving the worthiness of each discovery out of the financial community and places it back into the scientific arena. The financial statements will report only those assets that the scientists have deemed significant enough to secure an official designation.

Examples of such heritage assets include assets listed in the National Historic Landmarks program that have been designated by the Secretary of the Interior. Because these designations are easily verifiable, this data can be accumulated with minimal supervision. This same methodology is applied to heritage assets that have been officially designated such as National Monuments, Wilderness Areas, National Scenic Trails, etc.

Bureaus must enter the number of units as of October 1, (ensure that the ending balance for the previous FY is the beginning balance for the current FY; any changes will be reflected as additions/deletions); additions and withdrawals during the FY; and the ending balance as of September 30. The narrative section should include a description of the methods by which non-collectible heritage assets are acquired and withdrawn as well as any other information that would be of interest to the public and which illustrates the mission of the Bureau.

In addition, the fair value of heritage assets acquired through donation or devise during the reporting period should be disclosed, if known and material.

2. Collectible Heritage Assets - Library Collections

The Library template lists total library collections as of October 1, (ensure that the ending balance for the previous FY is the beginning balance for the current FY; any changes will be reflected as additions/deletions), total additions and withdrawals, and, the ending balance as of September 30.

3. Collectible Heritage Assets – Museum Collections

Museum collections are housed in Interior facilities or in non-Interior facilities. The Museum template lists total museum collections as of October 1, (ensure that the ending balance for the previous FY is the beginning balance for the current FY; any changes will be reflected as additions/deletions), total additions and withdrawals, and the ending balance as of September 30.

II. RSI

- A. Deferred Maintenance and Repairs:** The Interior owns, builds, purchases, and contracts services for assets such as schools, office buildings, roads, bridges, dams, irrigation systems, and reservoirs. Effective FY 2015, the SFFAS 42: *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*, amends the narrative disclosure and the presentation of the deferred maintenance and repairs (DM&R) information in the RSI. The SFFAS 42 defines DM&R as maintenance and repair activity that was not performed when it should have been or was scheduled to be and which is put off or delayed to a future period. Bureaus should refer to Financial Management Memorandum 2015 – 007 for details on DM&R reporting.

Language used in the AFR will be reviewed and coordinated with the Office of Acquisition and Property Management (PAM) to ensure the information reported is in compliance with the Departmental Asset Management Plan. Additional information on Deferred Maintenance may be found in the Asset Management Plan issued by PAM.

- B. Oil, Gas and Other Natural Resources:** As part of the reporting on Stewardship Land and in accordance with SFFAS 38, effective for FY 2013, and Technical Bulletin 2011-1, effective for FY 2014, Interior is required to present a schedule of the estimated net present value of petroleum royalties from the production of Federal oil and gas, the estimated net present value of royalties from other natural resources under Federal lease, and a schedule of the estimated net present value of Federal oil and gas petroleum royalties and other natural resources to be distributed to others. These and other required schedules are to be presented in RSI, as part of a discussion of all significant Federal oil and gas and other natural resources under management by the entity.

1. Schedule of Estimated Federal Oil and Gas Petroleum Royalties and royalties from other natural resources must include:
 - The estimated present value of the Federal Government’s royalty share of oil and gas and other natural resources estimated proved reserves, by Region.
2. Schedule of Estimated Federal Oil and Gas Petroleum Royalties and royalties from other natural resources to be Distributed to Others must include:

- The estimated present value of the federal government's royalty shares of oil and gas and other natural resources estimated proved reserves, estimated to be distributed to others.
3. Schedule of Revenue Reported by Category must include:
 - The most recent year's estimated revenue earned from each commodity, including royalty, bonus bid, and rent revenue.
 4. Schedule of Estimated Petroleum Royalties and royalties from other natural resources must include:
 - The estimated quantity of the Federal Government's royalty share of oil and gas and other natural resources proved reserves, by Region; and
 - The estimated average price and average royalty rate for each commodity by Region.
 5. Schedule of Federal Regional Oil and Gas and other natural resources information must include:
 - The most recent year's estimated sales volumes, sales values, estimated royalty revenue earned for oil and gas and other natural resources, and estimated royalty value for royalty relief, by Region.

Text disclosures must be provided in a narrative to accompany the above schedules, text disclosures must be provided, including:

- A concise statement explaining the importance of oil and gas and other natural resources management to the overall mission of Interior.
- A brief description of the entity's stewardship policies for oil and gas and other natural resources. This includes the guiding principles used to assign and administer leases; collect bonuses rents, and royalties; and distribute collections.
- A description of future royalty rights identified for sale, if applicable. The narrative should include the value of the rights identified, location of the field involved and the best estimate of when these rights would be sold.
- A brief description of the estimation methodology used to calculate the value of the Federal Government's estimated petroleum royalties and royalties from other natural resources including a "plain English" explanation of the measurement method, significant assumptions and any significant changes in the estimation methodology from the prior year. The nature and reason for any changes, as well as the effect of the changes, should be explained.

- A reference to the source reports used to calculate the value of the estimated petroleum royalties and royalties from other natural resources.
- A description of other significant oil and gas and other natural resources under management by the entity that are not currently under lease.

III. RSSI

Stewardship Investments: Stewardship Investments are substantial investments made by the Federal Government for the benefit of the Nation and are reported in the RSSI section of the consolidated AFR. Stewardship Investment categories include: (1) investment in research and development; (2) investment in human capital; and (3) investment in non-Federal physical property. Costs reported for Stewardship Investments should be on an accrual basis, not obligations or expenditures. Bureaus should also report on outputs and outcomes for Stewardship Investments as discussed below.

1. Investment in Research and Development. Investment in Research and Development are costs incurred to support the search for new or refined knowledge and ideas and for the application and use of such knowledge and ideas for the development of new or improved products and processes. The types of research and development are:

- Basic – systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind;
- Applied – systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and
- Developmental – systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

Bureaus should report the full cost of the investment made for the current year and the preceding four years. Outputs and outcomes with readily apparent relationships to the investment should be discussed in the narrative section as defined in SFFAS 8, *Supplementary Stewardship Reporting, Statement of Federal Financial Accounting*, Chapter 7. “Output” is a tabulation, calculation, or recording of activity or effort that can be expressed in a qualitative or quantitative manner. “Outcome” is an assessment of the results of a program compared to its intended purpose along the following lines:

- Basic research – an identification of any major new discoveries that were made during the year;
- Applied research – an identification of any major new applications that were

developed during the year; and

- Developmental research – the progress of major developmental projects including the results with respect to projects completed or otherwise terminated during the year and the status of projects that will continue.

The information provided concerning outcomes should provide, in concise form, a plausible basis for judging the extent to which the program is achieving its purpose.

- 2. Investment in Human Capital.** Investment in Human Capital includes education and training programs financed by the Federal Government for the benefit of the public. Investment in human capital excludes education and training expenses for Federal employees. Bureaus should include the full cost of the investment for the current and preceding four years.

Outputs and outcomes with readily apparent relationships to the human capital investments are reported in the narrative section of the AFR. An example of an output/outcome would be the number of students enrolled versus the number of students who graduated in the Bureau of Indian Affairs schools, or any other data indicating the effectiveness of the program in achieving its intended purpose.

- 3. Investment in Non-Federal Physical Property.** Investment in non-Federal Physical Property are expenses incurred by the Federal Government for the purchase, construction, or major renovation of physical property owned by or given to state and local governments or to U.S. territories under the jurisdiction of the Interior.

Minimum reporting includes the following (SFFAS 8, Chapter 5, Paragraph 87): annual investment, including a description of Federally-owned physical property transferred to state and local governments. Bureaus should describe major programs involving Federal investments, including descriptions of programs or policies under which non-cash assets are transferred to state and local governments for the current year and the preceding four years. Reporting must be at a meaningful category or level such as:

- Dams and other water structures;
- Land;
- Roads and bridges;
- Schools and public buildings;
- Ranges (reported only by Fish and Wildlife Service); and
- Not classified.

IV. REPORTING

To facilitate preparation and collection of the HASL and Stewardship Investments information for the Basic, RSI, and RSSI reporting, the Office of Financial Management (PFM) will provide the aforementioned templates in the Business Process Consolidation module in the Financial Business Management System with an email to the Financial Statement Guidance Team (FSGT) notifying Bureaus of the folder location prior to third quarter reporting. Bureaus should use these templates to submit the data to PFM according to due dates on the PFM Milestone List established by the FSGT.

1st and 2nd Quarters

None required.

3rd Quarter

The Department prepares a complete 3rd quarter draft of the AFR for review by the consolidated audit team. This requires that Bureaus submit their Basic, RSI, and RSSI HASL and Stewardship Investments information to PFM as of June 30. (Oil, gas, and other natural resources reporting under SFFAS 38 and Technical Bulletin 2011-1 in the RSI are not required.)

4th Quarter

Bureaus should submit updated 4th quarter HASL and Stewardship Investments data (Basic, RSI, and RSSI) to PFM for inclusion in the final AFR.