Federal Accounting Standards Advisory Board

Heritage Assets and Stewardship Land

Statement of Federal Financial Accounting Standards 29

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THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

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- *“Mission Statement: Federal Accounting Standards Advisory Board”*

Exposure drafts, Statements of Federal Accounting Standards and Concepts, Interpretations, FASAB newsletters, and other items of interest are posted on FASAB’s website, at www.fasab.gov.

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Summary

This standard changes the classification of information reported for heritage assets and stewardship land provided by Statement of Federal Financial Accounting Standards 8. This standard reclassifies all heritage assets and stewardship land information as basic except for condition information, which is reclassified as required supplementary information (RSI). This standard requires that entities reference a note on the balance sheet that discloses information about heritage assets and stewardship land, but no asset dollar amount should be shown. Instead, the note disclosure provides minimum reporting requirements consistent with the previous standards for heritage assets and stewardship land. 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of major categories, physical unit information for the end of the reporting period, physical units added and withdrawn during the year, a description of the methods of acquisition and withdrawal, and condition information.

This standard also requires two new disclosures for heritage assets and stewardship land. Specifically, this standard requires additional reporting disclosures about entity stewardship policies and an explanation of how heritage assets and stewardship land relate to the mission of the entity.

This standard also includes the requirements for the U.S. Government-wide Financial Statement. It provides for a general discussion and directs users to the applicable entities' financial statements for more detailed information on heritage assets and stewardship land.

This standard amends several existing standards. The amendments rescind certain standards or parts of certain standards due to the classification change, as well as serve as a means to incorporate all standards specific to heritage assets and stewardship land into one document.

Heritage Assets and Stewardship Land

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Introduction

1. The required supplementary stewardship information (RSSI) category, as described in Statement of Federal Financial Accounting Standards (SFFAS) 8, was a response to the unique aspects of the Federal accounting and reporting environment, and to the broad objectives of Federal financial reporting. It was intended to permit flexibility on the part of preparers and auditors that would facilitate reporting relevant, reliable information, including nonfinancial and nonhistorical information.[1]

2. Although some stewardship information may not link directly with the basic financial statements because the data to be reported may be other than in dollar terms, the Federal Accounting Standards Advisory Board (the Board or FASAB) intended that RSSI information would augment the basic financial statements and would receive commensurate audit scrutiny.

3. The Board found, however, that in many cases the word "supplementary" in the RSSI title caused certain readers to assume that the information was of secondary importance. Since this was contrary to its intentions, the Board decided to eliminate the RSSI category and re-categorize the stewardship elements within the reporting categories that are well defined in existing professional literature and familiar to report users. Additionally, this standard clarifies the Board's expectation that information essential to fair presentation will be subject to audit.

4. The main focus of this standard is the reclassification of heritage assets and stewardship land information. This standard reclassifies heritage assets and stewardship land information as basic information with the exception of condition reporting, which is considered RSI[2]. Specifically, this standard requires that entities reference a note on the balance sheet that discloses information about heritage assets and stewardship land, but no asset dollar amount should be

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[1] See the *Implementation Guide to Statement of Federal Financial Accounting Standards 7*: *Accounting for Revenue and Other Financing Sources*, par. 22-24, the diagram on page 15, and minutes of associated Board discussions. See also SFFAS 8, *Supplementary Stewardship Reporting*, par. 21, 34, 111-115, and minutes of associated Board discussions.

[2] RSI was added to the accounting literature by Statement of Financial Accounting Standards (SFAS) 25, *Suspension of Certain Accounting Requirements for Oil and Gas Producing Companies*, published by the Financial Accounting Standards Board (FASB) in 1979. That Statement has been amended, but the RSI category continues to be used in a variety of standards published by the FASB, Governmental Accounting Standards Board (GASB), and FASAB. The auditor's responsibility for RSI is discussed in section AU 558 of the codification of professional auditing standards published by the American Institute of Certified Public Accountants (AICPA).

shown. The note disclosure provides minimum reporting requirements consistent with the previous standards for heritage assets and stewardship land, which includes 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.

5. Although the most significant change within this standard is this reclassification, it also introduces certain changes to the disclosure requirements for heritage assets and stewardship land. Specifically, the standard requires additional reporting disclosures about entity stewardship policies and an explanation of how heritage assets and stewardship land relate to the mission of the entity.

6. This standard also includes disclosure requirements applicable to the U.S. Government-wide Financial Statement. This financial statement must provide a general discussion of heritage assets and stewardship land and direct users to the applicable entities' financial statements for more detailed information on these assets.

7. This standard also amends several existing standards. The amendments rescind certain standards or parts of certain standards due to the classification change, as well as serve as a means to incorporate all standards specific to heritage assets and stewardship land into one document.

8. The Board believes by fully incorporating into this standard all requirements for heritage assets (including multi-use heritage assets) and stewardship land, readers will better understand all reporting requirements. However, the main issues deliberated by the Board were the reclassification and presentation of heritage assets and stewardship land information. The Board has not reconsidered the definition, recognition and measurement provisions of the existing standards. These provisions have been brought forward from those standards that were based on prior Boards' conclusions.

9. The Board developed this standard for heritage assets and stewardship land based on the importance of the data in meeting the stewardship reporting objective as described in Statement of Federal Financial Accounting Concepts (SFFAC) 1*, Objectives of Federal Financial Reporting*. Further information on the Board's considerations regarding this reclassification is included in the Basis for Conclusions.

Standards of Federal Financial Accounting

Heritage Assets (including Multi-use Heritage Assets)

Amendments to Existing Standards

10. SFFAS 6 par. 21 is amended as follows:

The following paragraphs provide recognition and measurement principles, and disclosure requirements for general PP&E. For standards relating to heritage assets, multi-use heritage-assets and stewardship land, see SFFAS 29, *Heritage Assets and Stewardship Land*. ~~each category of PP&E~~. ~~The categories identified are:~~

- ~~general PP&E (including land acquired for or in connection with other general PP&E),~~
- ~~National Defense PP&E,~~
- ~~heritage assets, and~~
- ~~stewardship land (i.e., land not included in general PP&E).~~

11. SFFAS 6 par. 57 through 65 are rescinded.

12. SFFAS 8 Chapter 2 (Heritage Assets) is rescinded in its entirety.

13. SFFAS 14 par. 10 and 11 are rescinded.

14. SFFAS 16 is rescinded in its entirety.

Definitions

15. Heritage assets are property, plant and equipment (PP&E) that are unique for one or more of the following reasons:
    - historical or natural significance,
    - cultural, educational, or artistic (e.g., aesthetic) importance; or
    - significant architectural characteristics.

    Heritage assets consist of (1) collection type heritage assets, such as objects gathered and maintained for exhibition, for example, museum collections, art collections, and library collections; and (2) non-collection-type heritage assets, such as parks, memorials, monuments, and buildings.

16. Heritage assets are generally expected to be preserved indefinitely. One example of evidence that a particular asset is heritage in nature is that it is listed on the National Register of Historic Places.

17. Some investments in heritage assets (e.g., national parks) will meet the definitions and be considered and reported as both heritage assets and stewardship land (see Stewardship Land below). Such reporting would not be considered duplication, as the type of information reported for the physical unit would be different for each category of stewardship asset.

18. Heritage assets may in some cases be used to serve two purposes—a heritage function and general government operations. In cases where a heritage asset serves two purposes, the heritage asset should be considered a **multi-use heritage** asset if the predominant use of the asset is in general government operations (e.g., the main Treasury building used as an office building). Heritage assets having an incidental use in government operations are not multi-use heritage assets; they are simply heritage assets.

Recognition and Measurement

Heritage Assets

19. With the exception of multi-use heritage assets (addressed in par. 22) the cost of acquisition, improvement, reconstruction, or renovation of heritage assets should be recognized on the statement of net cost for the period in which the cost is incurred. The cost[3] should include all costs incurred during the period to bring the item to its current condition (See par. 26 of SFFAS 6 for examples of the costs to be considered).

20. With the exception of multi-use heritage assets (addressed in par.23) no amounts for heritage assets acquired through donation or devise[4] should be recognized in the cost of heritage assets.[5]

21. With the exception of multi-use heritage assets (addressed in par.24) transfers of heritage assets from one Federal entity to another do not affect the net cost of operations or net position of either entity. However, in some cases, assets included in general PP&E may be transferred to an entity for use as heritage assets. In this instance, the transferring entity should recognize a transfer-out of capitalized assets.[6]

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[3] For a full discussion of cost, including full cost, direct cost and indirect cost, see SFFAS 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government.* Also, see par. 94-95, SFFAC 2, *Entity and Display.*
[4] A will or clause of a will disposing of property.
[5] SFFAS 7, *Accounting for Revenue and Other Financing Sources*, par. 258-259 explains that stewardship PP&E is “expensed if purchased, but no amount is recognized if it is received as a donation.”
[6] SFFAS 7, *Accounting for Revenue and Other Financing Sources,* par. 74 and par. 345-346.

Multi-use Heritage Assets

22. The cost of acquisition, improvement, reconstruction, or renovation of multi-use heritage assets should be capitalized as general PP&E and depreciated over its estimated useful life.

23. Multi-use heritage assets acquired through donation or devise should be recognized as general PP&E at the assets' fair value at the time received, and the amount should also be recognized as "nonexchange revenues" as defined in SFFAS 7, *Accounting for Revenue and Other Financing Sources*.

24. Transfers of multi-use heritage assets from one Federal entity to another are transfers of capitalized assets. The receiving entity should recognize a transfer-in as an additional financing source and the transferring entity should recognize a transfer-out. The value recorded should be the transferring entity's book value of the multi-use heritage asset. If the receiving entity is not provided the book value, the multi-use heritage asset should be recorded at its estimated fair value.[7]

Disclosures and Required Supplementary Information

25. Entities with heritage assets should reference a note[8] on the balance sheet that discloses information about heritage assets, but no asset dollar amount should be shown.[9] The note disclosure related to heritage assets should provide the following:

    a. A concise statement explaining how they relate to the mission of the entity.

    b. A brief description of the entity's stewardship policies for heritage assets. Stewardship policies for heritage assets are the goals and principles the entity established to guide its acquisition, maintenance, use, and disposal of heritage assets consistent with statutory requirements, prohibitions, and limitations governing the entity and the heritage assets.

    c. A concise description of each major category of heritage asset. The appropriate level of categorization of heritage assets should be meaningful and

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[7] See SFFAS 7, *Accounting for Revenue and Other Financing Sources,* par. 74 for a discussion of transfers of assets.

[8] This standard does not prescribe a specific reference or line item entitled "Heritage Assets" as it may be included with other items for which no dollar amounts are recognized (such as stewardship land and other items that in the future may require similar non-financial disclosure) for presentation. Instead, the standard allows entities flexibility in determining the best presentation.

[9] No asset dollar amount is shown, except for multi-use heritage assets, which are capitalized and reported as part of general PP&E. See par. 22 through 24 and par. 27 for additional explanation.

determined by the preparer based on the entity's mission, types of heritage assets, and how it manages the assets.

d. Heritage assets should be quantified in terms of physical units. The appropriate level of aggregation and physical units[10] of measure for each major category should be meaningful and determined by the preparer based on the entity's mission, types of heritage assets, and how it manages the assets. For each major category of heritage asset (identified in c. above) the following should be reported:

1. The number of physical units by major category; major categories should be classified by collection or non-collection type heritage assets for which the entity is the steward as of the end of the reporting period;

2. The number of physical units by major category that were acquired and the number of physical units by major category that were withdrawn during the reporting period; and

3. A description of the major methods of acquisition and withdrawal of heritage assets during the reporting period. This should include disclosure of the number of physical units (by major category) of transfers of heritage assets between Federal entities and the number of physical units (by major category) of heritage assets acquired through donation or devise, if material. In addition, the fair value of heritage assets acquired through donation or devise during the reporting period should be disclosed, if known and material.

26. Entities should report the condition[11] of the heritage assets (which may be reported with the deferred maintenance information[12]) as required supplementary information. Entities should include a reference to the condition and deferred

[10] Defining physical units as individual items to be counted is neither required nor prohibited. Particularly for collection-type heritage assets, it may be more appropriate to define the physical unit as a collection, or a group of assets located at one facility, and then count the number of collections or facilities.
[11] Condition is the physical state of an asset. The condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. Evaluating an asset's condition requires knowledge of the asset, its performance capacity and its actual ability to perform, and expectations for its continued performance. The condition of a long-lived asset is affected by its durability, the quality of its design and construction, its use, the adequacy of maintenance that has been performed, and many other factors, including: accidents (an unforeseen and unplanned or unexpected event or circumstance), catastrophes (a tragic event), disasters (a sudden calamitous event bringing great damage, loss, or destruction), and obsolescence. Examples of condition information include, among others, (1) averages of standardized condition rating codes; (2) percentage of assets above, at, or below acceptable condition; or (3) narrative information.
[12] See SFFAS 6, Chapter 3, Deferred Maintenance (par. 77-84) for information regarding definition, measurement and disclosures specific to deferred maintenance.

maintenance information[13] if reported elsewhere in the report containing the basic financial statements.

27. Entities should disclose that multi-use heritage assets are recognized and presented with general PP&E in the basic financial statements and that additional information for the multi-use heritage assets is included with the heritage assets information.

U.S. Government-wide Financial Statement Disclosures[14]

28. The U.S. Government-wide financial statement should reference a note on the balance sheet that discloses information about heritage assets, but no asset dollar amount should be shown. The note disclosure related to heritage assets should provide the following:

    a. A concise statement explaining how they relate to the mission of the Federal Government.

    b. A description of the broad categories of heritage assets of the Federal Government.

    c. A general reference to agency reports for additional information about heritage assets, such as agency stewardship policies for heritage assets, physical units by major categories of heritage assets, and the condition of the heritage assets.

29. The U.S. Government-wide financial statement should disclose that multi-use heritage assets are recognized and presented with general PP&E in the basic financial statements and that additional information for the multi-use heritage assets is included with the heritage assets information.

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[13] SFFAS 14, *Amendments to Deferred Maintenance Reporting Amending SFFAS 6, Accounting for Property, Plant and Equipment and SFFAS 8, Supplementary Stewardship Reporting,* defined deferred maintenance as RSI. The Board believed that a period of experimentation was necessary for deferred maintenance information and that classifying it as RSI would be more appropriate during the experimentation period. The Board may revise this standard based on experience gained during this time and the development of additional criteria.

[14] SFFAS 24, *Selected Standards for the Consolidated Financial Report of the United States Government,* clarified that all existing and future standards apply to all Federal entities, including the U.S. Government-wide Financial Statement, unless a standard specifically provides otherwise.

Stewardship Land

Amendments to Existing Standards

30. SFFAS 6 par. 66 through 76 are rescinded.

31. SFFAS 8 Chapter 4 (Stewardship Land) is rescinded in its entirety.

32. SFFAS 14 par. 10 and 11 are rescinded.

Definitions

33. Stewardship Land is land and land rights[15] owned by the Federal Government but not acquired for or in connection with[16] items of general PP&E. Examples of stewardship land include land used as forests and parks, and land used for wildlife and grazing.

34. "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. [17]

35. Land and land rights owned by the Federal Government and acquired for or in connection with items of general PP&E should be accounted for and reported as general PP&E.

36. Land and land rights owned by the Federal Government and not acquired for or in connection with items of general PP&E should be reported as stewardship land.

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[15] Land rights are interests and privileges held by the entity in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights, and other like interests in land.

[16] "Acquired for or in connection with" is defined as including land acquired with the intent to construct general PP&E and land acquired in combination with general PP&E, including not only land used as the foundation, but also adjacent land considered to be the general PP&E's common grounds.

[17] The Board presently has an active project to address standards for natural resources, for which the Board is considering developing individual standards for each type of natural resource separately. To begin the project, the Board will be addressing oil and gas resources. The framework for the oil and gas resource phase of the project will be used as a model when addressing the other types or logical sets of natural resources (e.g., timber, grazing land, solid leasable minerals) in subsequent phases of the project.

Recognition and Measurement

37. The cost of acquisition of stewardship land should be recognized on the statement of net cost for the period in which the cost is incurred. The cost should include all costs to prepare stewardship land for its intended use (e.g., razing a building). In some cases, land may be acquired along with existing structures. The following treatments should apply:

    a. if the structure would be deemed a heritage asset and is significant in and of itself, the entity should use its judgment as to whether the acquisition cost should be treated as the cost of stewardship land, heritage asset, or both;

    b. if the structure is to be used in operations (for example, as general PP&E) but 1) the value of the structure is insignificant, or 2) its acquisition is merely a byproduct of the acquisition of the land, the cost in its entirety should be treated as an acquisition of stewardship land; or

    c. significant structures that have an operating use (e.g., a constructed hotel or employee housing block) should be treated as general PP&E by identifying the cost attributable to general PP&E and segregating it from the cost of the stewardship land acquired.

38. No amounts for stewardship land acquired through donation or devise[18] should be recognized in the cost of stewardship land.[19]

39. Transfers of stewardship land from one Federal entity to another, does not affect the net cost of operations or net position of either entity. However, in some cases, land included in general PP&E may be transferred to an entity for use as stewardship land. In this instance, the transferring entity should recognize a transfer-out of capitalized assets.[20]

Disclosures and Required Supplementary Information

40. Entities with stewardship land should reference a note[21] on the balance sheet that discloses information about stewardship land, but no asset dollar amount

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[18] A will or clause of a will disposing of property.

[19] SFFAS 7, *Accounting for Revenue and Other Financing Sources*, par. 258-259 explains that stewardship PP&E is "expensed if purchased, but no amount is recognized if it is received as a donation."

[20] SFFAS 7, *Accounting for Revenue and Other Financing Sources*, par. 74 and par. 345-346.

[21] This standard does not prescribe a specific reference or line item entitled "Stewardship Land" as it may be included with other items for which no dollar amounts are recognized (such as heritage assets and other items that in the future may require similar non-financial disclosure) for presentation. Instead, the standard allows entities flexibility in determining the best presentation.

should be shown. The note disclosure related to stewardship land should provide the following:

a. A concise statement explaining how it relates to the mission of the entity.

b. A brief description of the entity's stewardship policies for stewardship land. Stewardship policies for stewardship land are the goals and principles the entity established to guide its acquisition, maintenance, use, and disposal of stewardship land consistent with statutory requirements, prohibitions, and limitations governing the entity and the stewardship land.

c. A concise description of each major category of stewardship land use. Where parcels 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. The appropriate level of categorization of stewardship land use should be meaningful and determined by the preparer based on the entity's mission, types of stewardship land use, and how it manages the assets.

d. Stewardship land should be quantified in terms of physical units. The appropriate level of aggregation and physical units of measure for each major category of stewardship land use should be meaningful and determined by the preparer based on the entity's mission, types of stewardship land use, and how it manages the assets. For each major category of stewardship land use the following should be reported:

1. 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;

2. 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

3. A description of the major methods of acquisition and withdrawal of stewardship land during the reporting period. This should include disclosure of physical units (by major category of stewardship land use) of transfers of stewardship land between Federal entities and the number of physical units (by major category of stewardship land use) of stewardship land acquired through donation or devise, if material. In addition, the fair value of stewardship land acquired through donation or devise during the reporting period should be disclosed, if known and material.

41. Entities should report the condition[22] of the stewardship land (which may be reported with the deferred maintenance information[23]) as required supplementary information. Entities should include a reference to the condition and deferred maintenance information[24] if reported elsewhere in the report containing the basic financial statements.

U.S. Government-wide Financial Statement Disclosures[25]

42. The U.S. Government-wide financial statement should reference a note on the balance sheet that discloses information about stewardship land, but no asset dollar amount should be shown. The note disclosure related to stewardship land should provide the following:

    a. A concise statement explaining how it relates to the mission of the Federal Government.

    b. A description of the predominant uses of the stewardship land of the Federal Government.

    c. A general reference to agency reports for additional information about stewardship land, such as agency stewardship policies for stewardship land, physical units by major categories of stewardship land use, and the condition of the stewardship land.

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[22] Condition is the physical state of an asset. The condition of an asset is based on an evaluation of the physical status/state of an asset, its ability to perform as planned, and its continued usefulness. Evaluating an asset's condition requires knowledge of the asset, its performance capacity and its actual ability to perform, and expectations for its continued performance. The condition of a long-lived asset is affected by its durability, the quality of its design and construction, its use, the adequacy of maintenance that has been performed, and many other factors, including: accidents (an unforeseen and unplanned or unexpected event or circumstance), catastrophes (a tragic event), disasters (a sudden calamitous event bringing great damage, loss, or destruction), and obsolescence. Examples of condition information include, among others, (1) averages of standardized condition rating codes; (2) percentage of assets above, at, or below acceptable condition; or (3) narrative information.

[23] See SFFAS 6, Chapter 3, Deferred Maintenance (par. 77-84) for information regarding definition, measurement and disclosures specific to deferred maintenance.

[24] SFFAS 14, *Amendments to Deferred Maintenance Reporting Amending SFFAS 6, Accounting for Property, Plant and Equipment and SFFAS 8, Supplementary Stewardship Reporting,* defined deferred maintenance as RSI. The Board believed that a period of experimentation was necessary for deferred maintenance information and that classifying it as RSI would be more appropriate during the experimentation period. The Board may revise this standard based on experience gained during this time and the development of additional criteria.

[25] SFFAS 24, *Selected Standards for the Consolidated Financial Report of the United States Government,* clarified that all existing and future standards apply to all Federal entities, including the U.S. Government-wide Financial Statement, unless a standard specifically provides otherwise.

Effective Date

43. These standards are effective for reporting periods beginning after September 30, 2005 with the exception of the specific paragraphs listed below. These exceptions provide for a phase-in of disclosure requirements being reported as basic information such that these standards will be fully implemented for reporting periods beginning after September 30, 2008.

    a. Section c and section d1 in par. 25 and 40 are effective for reporting periods beginning after September 30, 2007;

    b. Section d2 and section d3 in par. 25 and 40 are effective for reporting periods beginning after September 30, 2008; and

    c. Information that is provided an exception (described in par. a. and b. above) to being reported as basic information during the phase-in period is still required, but should be reported as RSI until the exceptions expire.

44. Full implementation of the standards is effective for reporting periods beginning after September 30, 2008. Earlier implementation is encouraged.

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

Appendix A: Basis for Conclusions

This appendix discusses 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.

Introduction

45. In SFFAS 8, *Supplementary Stewardship Reporting*, the Board described stewardship information and required the reporting of that information. When the Board established the RSSI category, it believed that the new category was needed to highlight the unique nature of the reported items, to accommodate non-financial data, and to allow for reporting experimental information, such as condition. The Board believed that as agencies gained experience in reporting stewardship information that the reporting would evolve to a level where there was consistency within categories and at the government-wide consolidated reporting level. The Board has found that this evolution is, in fact, happening.

46. Consequently, the Board also has considered entities' improved accounting and reporting methods in deciding how to categorize the stewardship elements. The Board has found that, in many cases, entities have adopted the stewardship standards with a sense of responsible creativity. There are many instances where entities have developed imaginative, informative, and meaningful displays of stewardship information. The Board commends the efforts of these entities and supports their continued efforts to report on the Nation's stewardship resources and responsibilities in a responsible and informative manner.

47. The Board believes that avoiding the use of the RSSI category will eliminate some potential confusion and ambiguity. In particular, it should clarify the Board's expectation that significant information essential to fair presentation will be subject to audit.

48. The Board eliminated the use of RSSI to report information about weapons systems when it issued SFFAS 23*, Eliminating the Category "National Defense Property, Plant, and Equipment*." Additionally, SFFAS 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment,* eliminated the use of RSSI for reporting stewardship responsibilities. Classification of other items of information currently designated RSSI (stewardship investments) may be dealt with in one or more future standards.

49. This standard eliminates the use of RSSI for reporting Stewardship PP&E. Stewardship PP&E consists of items whose physical properties resemble those of general PP&E traditionally capitalized in basic financial statements. However, the nature of Federal physical assets classified as stewardship PP&E (e.g., museum collections, monuments, assets acquired in the formation of the nation, etc.) differ from general PP&E. Stewardship PP&E includes heritage assets (e.g., Federal monuments and memorials and historically or culturally significant property) and stewardship land (i.e., land not acquired for or in connection with general property, plant, and equipment).[26]

Amendments to Standards

50. This standard amends several existing standards. The amendments rescind certain standards or parts of certain standards due to the classification change, as well as serves as a means to incorporate all standards specific to heritage assets and stewardship land into one standard.

51. This standard amends SFFAS 8 by rescinding chapters 2 and 4 of that standard. This change eliminates the use of the RSSI category to report information about heritage assets and stewardship land. This standard also incorporates the revised multi-use heritage asset standards of SFFAS 16, *Amendments to Accounting for Property, Plant, and Equipment: Measurement and Reporting for Multi-use Heritage Assets.*[27] Accordingly, SFFAS 16 is rescinded in its entirety. Additionally, par. 57 through 76 of SFFAS 6, *Accounting for Property, Plant and Equipment* also is rescinded because they relate to heritage assets and stewardship land.

52. SFFAS 14, *Amendments to Deferred Maintenance Reporting,* also amended certain paragraphs within Chapters 2 and 4 of SFFAS 8 that related to deferred maintenance and condition reporting. This standard also incorporates those revisions. Accordingly, the portion of SFFAS 14 entitled 'Amendments to SFFAS 8' (SFFAS 14 par. 10 and 11) is rescinded.[28]

53. As a result, this standard incorporates all standards for heritage assets and stewardship land into one document. The Board believes by fully incorporating all requirements for heritage assets (including multi-use heritage assets) and stewardship land, readers will better understand all existing reporting

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[26] SFFAS 8, par. 11

[27] SFFAS 16 has been incorporated into the current standard for ease in understanding because SFFAS 16 amended Chapter 2 Heritage Assets of SFFAS 8 and portions of SFFAS 6.

[28] SFFAS 14 did amend the status of deferred maintenance by classifying it as RSI, however, SFFAS 6, *Accounting for Property, Plant and Equipment*, provides for the information to be reported. See SFFAS 6, Chapter 3, Deferred Maintenance (par. 77-84) for information regarding definition, measurement and disclosures specific to deferred maintenance.

requirements. However, the main issues deliberated by the Board were the reclassification and presentation of heritage assets and stewardship land information. The Board has not reconsidered the definition, recognition and measurement provisions of the current standards at this time. These provisions have been brought forward from previous standards that were based on prior Boards' conclusions. In the future, the Board may reconsider the recognition and measurement issues for heritage assets and stewardship land.

Basic vs. RSI

54. The Board believes that information on heritage assets and stewardship land (except for condition) should be basic information for the following reasons:

    a. Information on these assets is essential to fair presentation and may be crucial to understanding the entirety of an entity's financial condition.

    b. Accountability for heritage assets and stewardship land requires more audit scrutiny than would be afforded if they were considered RSI.[29]

    c. This classification is consistent with existing standards issued by the Governmental Accounting Standards Board (GASB) that is specific to reporting on art and historical treasures; and the Financial Accounting Standards Board (FASB) that is specific to collections, and other works of art and historical treasures. There is also existing audit guidance available in this area.[30]

55. It should be noted that during Board discussions and deliberations related to SFFAS 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment,* and the reclassification of the stewardship responsibilities, the Board developed a detailed list of practical and conceptual factors for consideration in determining RSI versus basic information classification. This structure was also considered in the decisions relating to the appropriate classification of heritage assets and stewardship land information and will be invoked in any future classification decisions by the Board.[31]

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[29] See SFFAS 8, par. 114 which details the fact the Board believed "that certain stewardship information, should receive more audit scrutiny than it would if it were RSI…"

[30] For additional information on these existing standards and guidance see Statement of Financial Accounting Standards 116, *Accounting for Contributions Received and Contributions Made*, GASB 34 par. 27-29 (*Reporting Works of Art and Historical Treasures*), and AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*.

[31] See SFFAS 25, Appendix A paragraphs 34-50 for detail on the factors. To help readers understand the Board's deliberations, those paragraphs provide more details about some practical and conceptual factors that affected the Board's decision whether to designate an item as RSI or as an integral part of the basic financial statements.

56. Specifically, the Board agreed that heritage assets and stewardship land information was essential and relevant to fair presentation. Additionally, the Board believed that it was important that this be clearly communicated to the readers of the financial statements and auditor reports. The Board also noted the importance and relevance of the information in light of the *Objectives of Federal Financial Reporting*.[32]

57. Condition reporting for heritage assets and stewardship land should be reported as required supplementary information because this information is experimental in nature and there is inconsistency in the manner of assessing and reporting this information.

U.S. Government-wide Financial Statement

58. In determining the required disclosures for the U.S. Government-wide Financial Statement, the Board considered SFFAC 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government*, which designated the intended or primary audience of the U.S. Government-wide Financial Statement and qualitative characteristics for the U.S. Government-wide Financial Statement that would be most useful for that audience.[33]

59. Par. 6 of SFFAC 4 explains that the U.S. Government-wide Financial Statement "is a general purpose report that is aggregated from agency reports and tells users where to find information in other formats, both aggregated and disaggregated, such as individual agency reports, agency websites, and the President's Budget."

60. The Board considered the nature and the variety of the data that would be aggregated from the various entities in preparing the heritage assets and stewardship land disclosures for the U.S. Government-wide Financial Statement. The Board determined that the standards for the U.S. Government-wide Financial Statement should provide for a general discussion and direct users to the applicable entities' financial statements for more detailed information on heritage assets and stewardship land.

Exposure Draft

61. FASAB published the exposure draft (ED) *Heritage Assets and Stewardship Land: Reclassification from Required Supplementary Stewardship Information* on

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[32] See Stewardship (Objective 3) as described in SFFAC 1*, Objectives of Federal Financial Reporting.*
[33] See SFFAC 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government* par. 5

August 20, 2003. Upon release of the ED, notices and/or press releases were provided to: the Federal Register; the *FASAB News*, the *Journal of Accountancy, AGA Today,* the *CPA Journal, Government Executive,* the *CPA Letter, Government Accounting and Auditing Update,* and *JFMIP News;* the CFO Council, the Presidents Council on Integrity and Efficiency, the Financial Statement Audit Network, the Federal Financial Managers Council; and committees of professional associations generally commenting on exposure drafts in the past.

62. Twelve letters were received from the following sources:

	FEDERAL (internal)	NONFEDERAL (external)
Users, academics, others	1	3
Auditors	1	1
Preparers and financial managers	6	

63. A public hearing was held on March 4, 2004. Individuals from the Library of Congress, U.S. Department of Agriculture, Department of Interior (including representatives from the CFO, OIG and IPA currently performing the DOI audit), and a representative from the Institute for Truth in Accounting testified at the public hearing. The participants reiterated issues included in the comment letters to the ED.

Responses to the ED

64. A majority of the respondents did not agree with heritage assets and stewardship land information being reported as basic. Key issues raised by respondents included the following:

    a. A need for more specific guidance on categorization and unitization for reporting heritage assets and stewardship land information;

    b. The audit implications of the standard, including the additional audit costs by classifying the information as basic; and

    c. Less useful information being presented by agencies with the reclassification.

65. Most respondents that did not agree with heritage assets and stewardship land information being reported as basic, recommended that it be classified as RSI (or remain as RSSI).

66. Most respondents agreed with the Board's new disclosure requirements and did not foresee any problems with the new disclosure requirements

67. Most respondents did not agree with the proposed effective date for periods beginning after September 30, 2004 in the ED. Key reasons cited for the delay of the effective date included the need for additional time to address implementation issues and time for including funding in their budgets to cover the additional costs for implementation and audit.

Board Consideration of Comments

68. Considering that the majority of respondents did not agree with the ED, the Board directed staff to research various issues that would assist the Board in addressing the comments raised by respondents. For example, the Board considered the current FASB and GASB standards in this area. The Board also considered results of a review of private museum reporting practices.

69. The Board also considered several recent government-wide initiatives that promote accountability and stewardship over real property assets and heritage assets such as the Federal Real Property Asset Management Initiative, Executive Order 13327 Federal Real Property Asset Management, and Executive Order 13287 Preserve America. The Board believes these initiatives provide further support for the decision to classify the heritage assets and stewardship land as basic information and the importance of accountability for these types of assets.

70. The Board also considered the issue of unitization and categorization further by reviewing draft guidance prepared by the Heritage Assets Categorization Project Team and the Accounting and Auditing Policy Committee (AAPC) Stewardship Guidance Workgroup. The Board believes that the draft products from these workgroups are excellent starting points for developing comprehensive guidance on many of the issues raised by respondents.

71. In response to the audit concerns, FASAB held a roundtable meeting with representatives from the Office of Inspector General (OIG) and CPA firms responsible for financial statement audits to solicit their views on specific issues raised by respondents as well as potential audit costs involved with implementing the standard.

72. As a result of the comments received and testimony provided at the public hearing, as well as the above actions, the Board did make certain revisions, which are detailed in the following paragraphs. Additionally, reasons for not making revisions on specific issues are detailed below.

Importance to Mission

73. The ED contained the new disclosure that required a statement explaining how heritage assets and stewardship land are “important to the overall mission of the

entity." A respondent explained that agencies may have significant stewardship assets as a result of their compliance with cultural resource protection laws and regulations or because Congress has determined that certain classes of assets to be nationally significant, regardless of the agency mission. The respondent believed that showing the link between the agency mission and the assets may result in less disclosure by agencies that lack a direct link to their mission.

74. The Board understands that some agencies may have heritage assets because of the facts described by the respondent and it is possible that the assets may not be important to the overall mission of the agency. However, the Board considered the new requirement to be explanatory in nature by offering more information about the assets. The Board did not envision the importance to the mission to be considered in determining which heritage assets and stewardship land should be included.

75. The Board revised the language of the new requirement to read "A concise statement explaining how they relate to the mission of the entity." The Board believes with this language, the requirement is flexible enough that if the assets are not related to the mission of the entity, the entity may state that and provide additional explanation, if they so choose.

Limiting Information Presented

76. Several respondents commented that agencies would present less information in their annual reports because the heritage assets information and stewardship land information would be subject to audit since it is classified as basic information. The classification of heritage assets and stewardship land information as basic should not limit the information entities choose to present or prevent the continuation of informative and meaningful displays of information.

77. This standard does not eliminate any information that was previously required for heritage assets and stewardship land. In drafting the standard, the Board envisioned the required disclosures to be presented in a concise format similar to the format that most entities present for general property, plant and equipment.

78. The Board notes that preparers continue to have the option of voluntarily presenting information beyond the minimum reporting requirements as other accompanying information.

Categorization and Unitization

79. The standard does not define asset categories or physical units for reporting. The Board recognizes that there may be difficulties for agencies in determining the appropriate level of aggregation for reporting categories of heritage assets. However, the Board believes that the agencies are in the best position to

determine the most meaningful level of presentation. The Board believes that ultimately the presentation depends upon the specifics of the entity—its mission, the types of heritage assets, how it manages, and materiality considerations. It would be difficult for the standard to define such specific reporting requirements, as they may be unique to each entity.

80. The Board also has avoided detailed illustrations and limited specific examples in the standard because preparers and auditors may attempt to strictly adhere to the illustrations.

81. The standard emphasizes reporting on asset categories, rather than individual assets. Based on comments to the ED, it appeared that this may not have been clear to the readers. Therefore, additional language was added to the final standard to clarify that the appropriate level of categorization of stewardship assets and the associated physical units should be determined by the preparer based on the entity's mission, types of use, and how it manages the assets.

82. Entities should designate asset reporting categories that allow inclusion and aggregation of their heritage assets and stewardship land. Entities should determine the appropriate level of detail for their categorization. It is helpful if entities designate asset categories that are meaningful and reflect how the entity views the assets for management purposes. It would also be helpful for entities to document the reasoning for the categorization.

83. The Board recognizes that the information that is appropriate for reporting heritage assets and stewardship land can vary from one entity to another. The amount and level of detail of the information presented depends, in part, on the mission of the entity and the materiality of the assets in question. For example, categories reported by an agency that has a stewardship mission, might be more disaggregated than is appropriate for one that does not.

84. Defining physical units as individual items to be counted is neither required nor prohibited. Particularly for collection-type heritage assets, it may be more appropriate to define the physical unit as a collection, or a group of assets located at one facility, and then count the number of collections or facilities. The level of detail may differ by entity.

85. It is the intent of the Board to provide entities with considerable latitude and flexibility in designating categories, determining a meaningful level of aggregation for reporting, and selecting physical units aligned with those categories. For example, should a library report that it has a collection of papers or that it has 10,000 pieces of paper in that collection? Further, should a museum report that is has 10 dinosaur skeletons or 10,000 dinosaur bones, or a single collection of skeletons in one facility? Ultimately, the answer is influenced by how the entity manages as well as materiality considerations. Agencies may be required to count the number of individual items for control purposes. But due to materiality considerations, entities may choose to report a higher level of aggregation such as the number of collections or facilities in which individual items are located.

Although individual item counts may not be necessary to support the reporting requirements in the standard, this does not mean that item counts for management control and safeguarding purposes are not necessary to fulfill mandates required by other public laws and regulations.

Supporting Documentation

86. The Board has recognized in previous standards that historical records for items acquired long ago may not have been retained.[34] Based on responses to the ED, testimony provided at the public hearing, and discussions with the auditors at the roundtable meeting, the Board believes this may be an issue in implementing this standard.

87. The Board understands that with the heritage assets and stewardship land information being classified as basic, auditors may require certain supporting documentation to fulfill audit assertions. There may be instances where the historical documents are not available for items acquired many years ago, prior to the effective date of this standard, in an environment in which the historical records were not required to be retained and may therefore be inadequate.

88. Therefore, the Board encourages preparers, program offices, and auditors to develop other reasonable approaches and methods for satisfying the specific audit assertions that would rely on historical documents as evidence and support. In addition, the Board plans to suggest that this issue be addressed further in the forthcoming AAPC Guidance (discussed below).

Additional Guidance

89. The Board notes that there has been work by certain government-wide task forces (such as the AAPC Stewardship Guidance Work Group and the Heritage Assets Categorization Team) to address issues identified such as standardized categories, definitions of units of measurements, and other areas where prescriptive guidance has been requested. The task forces contained representatives from pertinent agencies and experts in the field, which most likely provided for a comprehensive assessment.

90. Considering the extensive research performed by the task forces, their draft proposals or guides which address areas such as categories and subcategories and related physical units should be a good starting point for additional guidance that could be included in a Technical Release from the AAPC.

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[34] SFFAS 23 *Eliminating the Category National Defense PP&E,* par. 11 provided implementation guidance as follows: "This standard recognizes that determining initial historical cost may not be practical for items acquired many years prior to the effective date of this standard in an environment in which the historical records were not required to be retained and may therefore be inadequate."

91. The Board will request that the AAPC revitalize the efforts of the Stewardship Guidance Work Group and work towards finalization of their draft guidance, which may ultimately be published as a Technical Release. The guidance will be expanded where necessary to cover the issues identified by respondents in the comment letters. For example, the Board will suggest that the AAPC review case studies where supporting documentation may not be available and determine other reasonable approaches, methods, and best practices for satisfying specific assertions that would rely on historical documents as evidence and support.

92. The Board will suggest that the AAPC also consider the work done by the Heritage Assets Categorization Team. FASAB staff will work closely with the task force with the goal of finalizing the guide within one year of the issuance of this standard.

Effective Date/Phased-In Implementation

93. Most respondents to the ED and participants at the public hearing did not agree with the proposed effective date in the ED for periods beginning after September 30, 2004. Key reasons cited for the delay of the effective date were the need for additional time to address issues noted in their arguments against classifying the information as basic and time for including funding in their budgets for the additional work and audit costs to be incurred.

94. The Board believed the reasons provided for the delay of the effective date were valid and justified some delay. Therefore, the Board believed a phased implementation would provide time for entities to address some of the issues identified and for consideration of the strained resources facing most agencies.

95. The Board also believed that the effective date for certain disclosures to be classified as basic should be delayed to allow time for the issuance of the additional guidance by the AAPC. Therefore, the standard was revised to allow for a phase-in of required reporting disclosures as basic.

96. The standards are effective for reporting periods beginning after September 30, 2005, with the exception of the section c (category descriptions) and section d1 (physical units by major category for the end of the reporting period) in par. 25 and 40 that are effective for reporting periods beginning after September 30, 2007; and section d2 (physical units by major category that were acquired and withdrawn during the reporting period) and section d3 (major methods of acquisition and withdrawal during the reporting period) in par. 25 and 40 that are effective for reporting periods beginning after September 30, 2008.

97. These exceptions provide for a phase-in of disclosure requirements being reported as basic information such that the standard will be fully implemented for

reporting periods beginning after September 30, 2008. Information that is provided an exception (see par. above) to being reported as basic information during the phase-in period is still required, but should be reported as RSI until the exceptions expire. It may be appropriate for entities to include a reference to the information reported as RSI during the phase-in period.

98. The phased-in implementation offers additional time for agencies to determine the proper level of aggregation for major categories, as well as determining the appropriate physical unit of measure and documenting their reasoning for such. This additional time will also allow for the AAPC to issue its guidance in time for consideration before implementation. It is anticipated that the AAPC will finalize the guide prior to the implementation of the required reporting by major categories.

Materiality

99. In the ED, the disclosure requirements language read "Entities with significant heritage assets/stewardship land should reference a note…" The Board used the term "significant" to emphasize that some entities may not be subject to the disclosure requirements due to certain entities having only immaterial amounts of heritage assets and stewardship land covered by this standard.

100. Although most respondents to the ED agreed that the preparer should have flexibility in determining appropriate categories for aggregation and that the preparer should be allowed to exercise professional judgment in determining which assets are significant, there was some concern raised by respondents that these judgments may be difficult to make. Certain respondents noted that "significant" is difficult to apply in the case of heritage assets and stewardship land because there are no financial dollar amounts required to be reported.

101. The term "significant" was removed from the language establishing disclosure requirements in the final standard because the Board has stated within this standard "The provisions of this Statement need not be applied to immaterial items." Therefore, entities may omit heritage asset and stewardship land information if they are immaterial.

102. In SFFAS 3, *Accounting for Inventory and Related Property,* the introduction included a discussion on "materiality".[35] It explained that materiality has not been strictly defined in the accounting community; rather, it has been a matter of judgment on the part of preparers of financial statements and the auditors who attest to them. It further explained that the determination of whether an item is immaterial requires the exercise of considerable judgment, based on consideration of specific facts and circumstances.

[35] See SFFAS 3, *Accounting for Inventory and Related Property, par. 7-15.*

103. In its discussion in SFFAS 3, the Board relied on the FASB's concept as modified by certain concepts expressed in governmental auditing standards[36]. Par. 9 of SFFAS 3 discussed FASB's Statement of Financial Accounting Concepts No. 2, "Qualitative Characteristics of Accounting Information," that provides for materiality as the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

104. Par. 9 of SFFAS 3 also explains that this concept includes both qualitative and quantitative considerations. An item that is not considered material from a quantitative standpoint may be considered qualitatively material if it would influence or change the judgment of the financial statement user. The Board believes that preparers should consider both quantitative and qualitative characteristics when applying materiality to this standard.

Board Approval

105. This statement was approved for issuance by all members of the Board.

[36] Par. 12 of SFFAS 3 explains that the Government Auditing Standards provide "In government audits the materiality level and/or threshold of acceptable risk may be lower than in similar-type audits in the private-sector because of the public accountability of the entity, the various legal and regulatory requirements, and the visibility and sensitivity of government programs, activities, and functions."

Appendix B: List of Abbreviations

AAPC	Accounting and Auditing Policy Committee
AICPA	American Institute of Certified Public Accountants
ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAO	Government Accountability Office
GASB	Governmental Accounting Standards Board
OMB	Office of Management and Budget
PP&E	Property, Plant and Equipment
RSI	Required Supplementary Information
RSSI	Required Supplementary Stewardship Information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
U.S.	United States

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