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# Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land

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## Status

<b>Issued</b>	July 7, 2005
<b>Effective Date</b>	For reporting periods beginning after September 30, 2005, with the exception of the specific paragraphs listed in par. 43 of the standard. Full implementation of the standards is effective for periods beginning after September 30, 2008.
<b>Affects</b>	<ul style="list-style-type: none"><li>• SFFAS 6</li><li>• SFFAS 8</li><li>• SFFAS 14</li><li>• SFFAS 16</li></ul>
<b>Affected by</b>	<ul style="list-style-type: none"><li>• SFFAS 42 affects paragraphs 26, 28, 41 and 42.</li><li>• SFFAS 59 transitionally amends paragraphs 33, 35, 39 and 42; rescinds and replaces paragraph 40 and inserts new paragraphs 36A-36D, 40A and 42A.</li></ul>
<b>Related Guidance</b>	<ul style="list-style-type: none"><li>• TR 9, Implementation Guide for SFFAS 29</li></ul>

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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 information. 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of major categories, physical unit information for the end of the reporting period, physical units added and withdrawn during the year, and a description of the methods of acquisition and withdrawal.

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.

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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.

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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.<sup>1</sup>
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. 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 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, and a description of the methods of acquisition and withdrawal.

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<sup>1</sup> 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.

<sup>2</sup> [Footnote 2 rescinded by SFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32.*]

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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.

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## Standards of Federal Financial Accounting

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### Heritage Assets (including Multi-use Heritage Assets)

#### Amendments to Existing Standards

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

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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.

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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<sup>3</sup> 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<sup>4</sup> should be recognized in the cost of heritage assets.<sup>5</sup>
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.<sup>6</sup>

### 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.

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<sup>3</sup> 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*.

<sup>4</sup> A will or clause of a will disposing of property.

<sup>5</sup> 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.”

<sup>6</sup> SFFAS 7, *Accounting for Revenue and Other Financing Sources*, par. 74 and par. 345-346.

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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<sup>7</sup>.

### Disclosures and Required Supplementary Information

25. Entities with heritage assets should reference a note<sup>8</sup> on the balance sheet that discloses information about heritage assets, but no asset dollar amount should be shown<sup>9</sup>. 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 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<sup>10</sup> of measure for each major category should be meaningful

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<sup>7</sup> See SFFAS 7, *Accounting for Revenue and Other Financing Sources*, par. 74 for a discussion of transfers of assets.

<sup>8</sup> 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.

<sup>9</sup> 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.

<sup>10</sup> 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.



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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. <sup>11,12</sup> Entities should include a reference to deferred maintenance and repairs information<sup>13</sup> reported in required supplementary information.
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<sup>14</sup>

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:

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<sup>11</sup>Footnote deleted by SFFAS 42.

<sup>12</sup> Footnote deleted by SFFAS 42.

<sup>13</sup> See SFFAS 42, *Deferred Maintenance and Repairs, Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32* for information regarding definition, measurement and required supplementary information.

<sup>14</sup> 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.

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- 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.
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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## 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 includes both public domain<sup>14.1</sup> and acquired land and land rights<sup>15</sup> owned by the Federal Government intended to be held indefinitely. Examples of stewardship land include land reserved, managed, planned, used, or acquired for<sup>16</sup>

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<sup>14.1</sup> Public domain land is land that was originally ceded to the United States by treaty, purchase, or conquest in contrast to acquired lands, which have been purchased by, given to, exchanged with, or transferred through condemnation proceedings to the federal government.

<sup>15</sup> 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. Land rights such as easements or rights-of-way that are for an unspecified period of time or unlimited duration are considered permanent land rights. Temporary land rights are those land rights that are for a specified period of time or limited duration.

<sup>16</sup> Land used or acquired for or in connection with items of general PP&E but meeting the definition of stewardship land should be classified as stewardship land.

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- a. forests and parks;
  - b. recreation and conservation;
  - c. wildlife habitat and grazing;
  - d. historic landmarks and/or the preservation of pre-historic and historic structures (those listed on or eligible for listing on the National Register of Historic Places);
  - e. multiple purpose ancillary revenue generating activity (for example, special use permits, mineral development activities, and timber production); and/or
  - f. buffer zones for security, flood management, and noise and view sheds.
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.<sup>17</sup>
35. Land and land rights meeting the definition of general PP&E established in SFFAS 6, as amended, should be accounted for in accordance with SFFAS 6, as amended.
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.
- 36A. Acres of land held for disposal or exchange include land for which the entity has satisfied the statutory disposal authority requirements specific to the land in question.<sup>17.1</sup> Disposal includes conveyances of federal land to non-federal entities not limited to sale, transfer, exchange, lease, public-private partnership, and donation, or any combination thereof.
- 36B. Commercial use land sub-category includes land or land rights that are predominantly used to generate inflows of resources (such inflows may be derived from the land itself or activities performed on the land and regardless of whether the use or activity is intended to produce a profit) from non-federal third parties, usually through special use permits, right-of-

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<sup>17</sup> 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.

<sup>17.1</sup> Entity decisions to identify and classify land as held for disposal or exchange often require public participation and diverse clearances, such as environmental and economic impact studies, surveys, and appraisals.

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way grants, and leases. Such inflows may arise from exchange or non-exchange activities and may or may not be considered dedicated collections. Examples include revenue or inflows derived from

- a. concession arrangements;
- b. grants for a specific project such as electric transmission lines, communication sites, roads, trails, fiber optic lines, canals, air rights, flumes, pipelines, reservoirs and dams;
- c. land sales or land exchanges;
- d. leases;
- e. permits for public use such as commercial filming and photography, advertising displays, agriculture, recreation residences and camping, recreation facilities, temporary use permits for construction equipment storage and assembly yards, well pumps, and other such uses;
- f. forest product sales such as timber, or sales arising from national forests and grasslands; and/or
- g. public-private partnerships.

36C. Conservation and preservation land sub-category includes land or land rights that are predominantly used for conservation or preservation purposes. Conservation and preservation, although closely linked, are distinct terms. Each term involves a certain type or degree of protection. Specifically, conservation is generally associated with the protection and proper use of natural resources, whereas preservation is associated with the protection of buildings, objects, and landscapes from use. Examples of land conserved or preserved for significant natural, historic, scenic, cultural, and recreational resources include the following:

- National parks
- Geological resource sites
- Wildlife and plant life refuges
- Archeological resource sites
- Local Native American or ethnic cultural sites

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36D. Operational land sub-category includes land or land rights predominantly used for general or administrative purposes. For example, the following functions performed by entities would be included in this sub-category:

- a. Military functions include preparing for the effective pursuit of war and military operations short of war; conducting combat, peacekeeping, and humanitarian military operations; and supporting civilian authorities during civil emergencies.
- b. Scientific functions include conducting and managing research, experimentation, exploration, and operations (including the development of commercial capabilities). Broad scientific fields of study generally include (1) physical sciences (physics, astronomy, chemistry, geology, metallurgy), (2) biological sciences (zoology, botany, genetics, paleontology, molecular biology, physiology), and (3) social sciences (psychology, sociology, anthropology, economics).
- c. Nuclear functions include managing or regulating the use of nuclear energy, power plants, radioactive materials, radioactive material shipments, nuclear storage, and nuclear reactor decommissioning.
- d. Other related functions include those that are administrative or other mission related in nature. For example, land used for readiness and training, office building locations, storage, or vacant properties fall under this category.

## 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.

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38. No amounts for stewardship land acquired through donation or devise<sup>18</sup> should be recognized in the cost of stewardship land.<sup>19</sup>
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. The transferring and recipient entities should properly adjust for estimated acres of land information.<sup>20</sup>

### Disclosures and Required Supplementary Information

40. The following [*RSI information: FY 2022-2025*] [*disclosures: FY2026*]<sup>21-21.1</sup> should be provided for stewardship land and permanent land rights:
- a. A concise statement defining an entity's federal land, and explaining how stewardship land relates to the mission of the entity.
  - b. A brief description of the entity's policies for stewardship land. Policies for land are the goals and principles the entity established to guide its acquisition, maintenance, use, and disposal of land consistent with statutory requirements, prohibitions, and limitations governing the entity and the land.
  - c. Information of land use by sub-category. Stewardship land and permanent land rights should be assigned to one of three sub-categories based on predominant use<sup>21.1a</sup> and reported in estimated acres of land. The three sub-categories are commercial use land; conservation and preservation land; and operational land.

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<sup>18</sup> A will or clause of a will disposing of property.

<sup>19</sup> 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."

<sup>20</sup> Footnote rescinded by SFFAS 59.

<sup>21</sup> 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.

<sup>21.1</sup> Unless otherwise noted, [*RSI information: FY 2022-2025*] [*disclosure: FY 2026*] requirements are limited to the stewardship land category and are not required for each of the three sub-categories of conservation and preservation land; operational land; and commercial use land.

<sup>21.1a</sup> Predominant Use of land. Predominant use is the major or primary current use of an asset during the reporting period and does not include incidental or infrequent uses of the asset. Moreover, predominant use can change between reporting periods. An asset's predominant use should be consistent with the entity's authorizing legislation but may not always be consistent with the original intent or reason why the asset was initially acquired.

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Where stewardship land and permanent land rights have more than one use, the predominant use of the land should be used to sub-categorize the land.<sup>21.1b</sup>

- i. Acres of land. The estimated number of acres at the beginning of each reporting period among the three sub-categories and the estimated number of acres at the end of each reporting period for land and permanent land rights.
  - d. If applicable, the amount of estimated acres of land held for disposal or exchange and their predominant use. For purposes of this Statement, stewardship land is considered held for disposal or exchange when the entity has satisfied the statutory disposal authority requirements specific to the land in question.
  - e. Stewardship land rights information should include a general description of the different types of rights acquired by the entity, whether such rights are permanent or temporary, and amounts paid during the year to maintain such rights.
- 40A. The financial statement balance sheet should reference a note that [*presents RSI information: FY 2022-2025*] [*discloses: FY 2026*] required at paragraph 40 (a through e) about Stewardship land and permanent land rights but no asset dollar amount should be shown. Existing disclosures<sup>21.2</sup> should continue during the transition period through fiscal year 2025 and cease in fiscal year 2026 when superseded by the transition of the RSI information to note disclosures. If stewardship land and general PP&E land are presented in separate notes to the financial statements, include cross references between the notes.
41. <sup>22, 23</sup> Entities should include a reference to the deferred maintenance and repairs information<sup>24</sup> reported in required supplementary information.

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<sup>21.1b</sup> Aggregation and assignment of land. The level of aggregation of land and permanent land rights used to determine predominant use should be determined by the preparer considering the entity's mission, types of land use and how it manages the assets.

<sup>21.2</sup> For stewardship land, existing disclosures are those required by paragraph 40, titled "Disclosures and Required Supplementary Information" that are being rescinded (40.a through 40.d.3) effective fiscal year 2026. To the extent practical, duplication of information, such as statements explaining how stewardship land relates to the entity's mission or its SL policies and procedures, should be avoided and should remain as basic (note disclosure) during the transitional period.

<sup>22</sup> Footnote deleted by SFFAS 42.

<sup>23</sup> Footnote deleted by SFFAS 42.

<sup>24</sup> See SFFAS 42, *Deferred Maintenance and Repairs, Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32* for information regarding definition, measurement and required supplementary information.

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## U.S. Government-wide Financial Statement Disclosures<sup>25</sup>

42. The U.S. Government-wide financial statement should include the following information:

- a. A concise statement including a general description of the federal government's land explaining how its federal land relates to the mission of the Federal Government.
- b. *[RSI information: FY 2022-2025] [A disclosure FY 2026]* of the estimated acres of land by predominant use sub-categories and estimated acres of land held for disposal or exchange by the Federal Government.
- c. A general reference to agency reports for additional information about stewardship land, such as agency policies and estimated acres of land.

42A. The U.S. Government-wide financial statement balance sheet should reference a note that *[presents RSI: FY 2022-2025] [discloses the FY 2026]* information about stewardship land and land rights required by paragraph 42, but no asset dollar amounts should be shown. Existing disclosures<sup>25.1</sup> should continue during the transition period through fiscal year 2025 and cease in fiscal year 2026 when superseded by the transition of the RSI information to note disclosures. If stewardship land and general PP&E land are presented in separate notes to the financial statements, include cross references between the notes.

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## 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;

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<sup>25</sup> 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. Governmentwide Financial Statement, unless a standard specifically provides otherwise.

<sup>25.1</sup> Existing disclosures at paragraph 42 are those which are in effect for reporting entities prior to the amendments contained at paragraphs 42 and 42A. To the extent practical, duplication of information, such as statements explaining how stewardship land relates to the entity's mission or its SL policies and procedures, should be avoided and should remain as basic (note disclosure) during the transitional period.



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- 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.

<p>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, <i>Objectives of Federal Financial Reporting</i>, chapter 7, titled <i>Materiality</i>, for a detailed discussion of the materiality concepts.</p>
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## 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.

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. Within the text of the Statements, the authoritative sections are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

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### 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.

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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).<sup>26</sup>

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## 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*.<sup>27</sup> 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.<sup>28</sup>
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

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<sup>26</sup> SFFAS 8, par. 11

<sup>27</sup> 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.

<sup>28</sup> 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.

better understand all existing 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 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.<sup>29</sup>
  - 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.<sup>30</sup>
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.<sup>31</sup>

<sup>29</sup> 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..."

<sup>30</sup> 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*.

<sup>31</sup> 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.

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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*.<sup>32</sup>
  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.
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## U.S. Government-wide Financial Statement

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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.<sup>33</sup>
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.

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<sup>32</sup> See Stewardship (Objective 3) as described in SFFAC 1, *Objectives of Federal Financial Reporting*.

<sup>33</sup> See SFFAC 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government* par. 5

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## Exposure Draft

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

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## 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.

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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.

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## 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

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following paragraphs. Additionally, reasons for not making revisions on specific issues are detailed below.

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## 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.

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## 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.



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

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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

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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 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.

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## Supporting Documentation

86. The Board has recognized in previous standards that historical records for items acquired long ago may not have been retained.<sup>34</sup> 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

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<sup>34</sup>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."

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suggest that this issue be addressed further in the forthcoming AAPC Guidance (discussed below).

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## 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.
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.

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## 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

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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.

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## 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

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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”.<sup>35</sup> 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.
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.<sup>36</sup> 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.

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## Board Approval

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

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<sup>35</sup>See SFFAS 3, *Accounting for Inventory and Related Property*, par. 7-15.

<sup>36</sup>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.”