



Federal Accounting Standards Advisory Board

***Implementation Guide for
Statement of Federal Financial Accounting Standards 29:
Heritage Assets and Stewardship Land***

***Federal Financial Accounting Technical Release
Technical Release 9***

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THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

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- ◆ “Memorandum of Understanding among the General Accounting Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board”
- ◆ “Mission Statement: Federal Accounting Standards Advisory Board”

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The AAPC is intended to address issues that arise in implementation, which are not specifically or fully discussed in Federal accounting and auditing standards. The AAPC's guidance is cleared by FASAB before being published.

Additional background information on the AAPC is available from the FASAB or its website:

- ◆ “Charter of the Accounting and Auditing Policy Committee”
- ◆ “Accounting and Auditing Policy Committee Operating Procedures”

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Acronyms

AAPC	Accounting and Auditing Policy Committee
AICPA	American Institute of Certified Public Accountants
AGA	Association of Government Accountants
AT	Codification of Statements on Standards for Attestation Engagements
AU	Codification of Statements on Auditing Standards
CFR	Consolidated Financial Report of the U.S. Government
CFO	Chief Financial Officer
CPA	Certified Public Accountant
ED	FASAB published the exposure draft
FAM	U.S. Government Accountability Office Financial Audit Manual
FASB	Financial Accounting Standards Board
FASAB	Federal Accounting Standards Advisory Board
FMFIA	Federal Managers Financial Integrity Act
GAO	U.S. Government Accountability Office
GASB	Governmental Accounting Standards Board
JFMIP	Joint Financial Management Improvement Program
OMB	Office of Management and Budget
OIG	Office of Inspector General
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
SNC	Statement of Net Cost
HA	Heritage Assets
SL	Stewardship Land

Introduction

Purpose

1. This technical release is intended to assist federal entities in reporting information on heritage assets (HA) and stewardship land (SL) in accordance with new federal accounting standards. This technical release supplements relevant federal accounting standards, but is not a substitute for and does not take precedence over the accounting standards issued by FASAB.
2. Federal entities are required to report descriptive, non-financial information on HA/SL as basic information in their financial reports, in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 29, *Heritage Assets and Stewardship Land*.
3. Prior to issuing SFFAS 29, information on HA/SL was reported as Required Supplementary Stewardship Information (RSSI). SFFAS 29 reclassifies all HA/SL information as basic financial information, except for condition information, which is reclassified as Required Supplementary Information (RSI) and may be reported with deferred maintenance information. The standard also requires that entities reference a note on the balance sheet that discloses information about HA/SL, but no asset dollar amount should be shown. Instead, the minimum reporting requirements for note disclosure include a description of major categories, physical unit information for the end of the reporting period, physical units added and withdrawn during the period, and a description of the methods of acquisition and withdrawal.
4. SFFAS 29 also requires two new disclosures for HA/SL: entity stewardship policies and an explanation of how HA/SL relate to the mission of the entity. The standard also includes the requirements for the Consolidated Financial Report of the U.S. Government (CFR). The CFR provides for a general discussion and directs users to the applicable entities' financial statements for more detailed information on HA/SL. This technical release focuses specifically on HA/SL. It does not address other types of Property, Plant, and Equipment (PP&E).
5. This technical release is organized into four sections:
 - Section I *Materiality Considerations* describes an approach for considering materiality that is common to entities as they apply the materiality concept to HA/SL. It includes qualitative factors to consider in making materiality judgments about HA/SL.
 - Section II *Identification, Categorization, and Quantification* discusses issues related to identifying HA/SL and describes how the standard allows entities "flexibility" in determining the format and level of detail to report relevant and reliable information in note disclosures. It also explores factors

affecting the level of detail such as management's selection of categories for reporting and choice of physical units within categories, as portrayed in various examples. In addition, a discussion of supporting documentation is included.

- Section III *Assessing and Reporting Condition* discusses approaches for meeting condition reporting requirements for HA/SL. This section provides guidance for identifying criteria to assess condition, discusses sources of information to support reporting, and provides examples of reporting condition.
- Section IV *Government-Wide Reporting* discusses the balance sheet note reference and a note disclosure of HA/SL information in the U.S. Government-wide financial statement.

Scope

6. Readers of this technical release should first refer to the hierarchy of accounting standards in Statement on Auditing Standards (SAS) 91, Federal Generally Accepted Accounting Principles Hierarchy (or see AU411). This technical release supplements the relevant accounting standards, but is not a substitute for and does not take precedence over the standards.

Effective Date

7. The effective date for implementation of the Technical Release is for periods beginning after September 30, 2008. Earlier implementation is encouraged.

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

Background

8. FASAB determined that information on HA and SL (except for condition) should be basic financial information because (1) information on these assets is essential to fair presentation and understanding of the entity's financial condition; (2) accountability for HA/SL requires more audit scrutiny than would be afforded if these assets were addressed through RSI; and (3) this classification is consistent with existing standards issued by the Governmental Accounting Standards Board (GASB) for reporting on art and historical treasures, and Financial Accounting Standards Board (FASB) for reporting on collections, other works of art, and historical treasures.¹ Reporting condition of HA/SL as RSI is appropriate because the information is experimental in nature and the manner of assessing and reporting this information is inconsistent.²

Transition from RSSI to Basic/RSI Information

9. The reclassification from RSSI to basic financial information for HA/SL is being phased in as required by SFFAS 29. The phase-in approach requires full implementation of SFFAS 29 for reporting periods beginning after September 30, 2008. Items a and b are new note disclosures and are to be reported as basic financial information beginning in periods after September 30, 2005; items c through f temporarily move to RSI in periods after September 30, 2005 before being reported as basic financial information.
- a. A statement explaining how HA/SL relate to the mission of the entity
 - b. A description of the entity's stewardship policies
 - c. A description of major categories
 - d. Physical unit information for the end of the reporting period
 - e. Physical units added and withdrawn during the year
 - f. A description of the methods of acquisition and withdrawal
10. Effective dates for transitioning the above HA/SL information from RSI to basic financial information (i.e., a note disclosure to the financial statements) begin for periods:³
- After September 30, 2007 for items c and d,
 - After September 30, 2008 for items e and f.

¹ SFFAS 29, par. 54.

² SFFAS 29, par. 57.

³ See SFFAS 29 for details on the phase-in of disclosure requirements being reported as basic information.

Section I. Materiality Considerations

11. In the interest of meaningful and cost effective information, managers of HA/SL information need to understand and apply the concept of materiality in order to decide what is material and what is not. Key issues are (1) what is the appropriate level of detail and aggregation for reporting HA/SL information and (2) how should materiality be applied to assets that are not reported in dollar amounts?
12. In developing the entity's disclosures, management should identify meaningful levels of aggregation by determining whether assets are material enough to warrant classification in separate categories. Regardless of the level of detail or aggregation, the entity should support its financial statements with internal accounting policies listing the chosen criteria and methods of aggregation and classification.
13. Materiality has both quantitative and qualitative characteristics. Traditional materiality judgments about financial information are primarily quantitative and are focused on dollar amounts. However, the fact that HA/SL are not reported in dollars requires special attention to qualitative factors such as the nature of the related assets and the circumstances in which the materiality judgment is made.
14. Management's consideration of materiality is a matter of professional judgment and is influenced by (1) the information necessary to demonstrate accountability for HA/SL, (2) the needs of a reasonable person who will rely on the principal financial statements, and (3) cost-benefit justifications. This approach incorporates two fundamental values of federal financial reporting: accountability and decision usefulness.

Accountability and Decision Usefulness

15. As the standard-setting body for the federal government, FASAB stated that there are two fundamental values that provide the foundation for governmental accounting and financial reporting: "accountability" and its corollary, "decision usefulness."⁴ FASAB explained that "Because a democratic government should be accountable for its integrity, performance, and stewardship, it follows that the government must provide information useful to assess that accountability."
16. Under an "accountability concept" of materiality, management uses its professional judgment to decide, on behalf of users, what information is needed to demonstrate accountability over HA/SL in accordance with federal accounting concepts and standards. Materiality is then evaluated in relation to the information considered necessary for accountability. In essence, the accountability concept of materiality considers the information needed to

⁴ Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, par. 71.

Materiality Considerations

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answer such questions as, are the assets important to the entity's mission or to the Nation? Are the assets highly visible, vulnerable, or controversial? And, is the government effectively managing and safeguarding assets?⁵

17. Traditional definitions of materiality for financial information center on "decision usefulness," a concept that relates to the needs of a reasonable person who relies on reported information to make decisions. The focus on decision usefulness originated from the primary objective of financial reporting for business enterprises established by FASB: "Financial reporting should provide information that is useful to present and potential investors and creditors and other users making rational investment, credit, and similar decisions."⁶
18. However, in the federal government, the HA/SL information that users need in order to make informed decisions is evolving since agencies are still in the early stages of reporting. Users' needs will likely become more clearly identified as the required disclosures are made available and attract users who rely on it for making decisions.⁷ In the meantime, attempting to make materiality determinations about HA/SL information based solely on undetermined user needs (i.e., decision usefulness) is an uncertain approach. Therefore, for HA/SL, the current focus for considering materiality should be based on *accountability*. Citizens want assurances that the HA/SL entrusted to the government are protected and used for the purposes intended.⁸ Congress, executives, and program managers need to demonstrate to those to whom they are accountable that they have, in fact, protected those resources and used them well.

Measurement Issues

19. For the federal government HA/SL, there is no unifying theme upon which to base quantitative measures of materiality, such as, total assets or total expenses because there is no common unit of measure, such as dollars, that can be used to evaluate the effect of omissions and misstatements among HA/SL categories. In other words, HA/SL management's focus is on whether in the aggregate the categories reported for HA/SL are a complete presentation of HA/SL for which the entity is accountable. For example, management might report quantities for five separate and dissimilar categories of HA such as 6,000 linear feet of archival documents, 4,000 cubic feet of archeological artifacts, 2,500 paleontological items, 1,000 pieces of

⁵ SFFAC 1, par. 105 states, "The federal government derives its just powers from the consent of the governed. It therefore has a special responsibility to report on its actions and the results of those actions. ...Providing this information to the public, the news media, and elected officials is an essential part of accountability in government."

⁶ Source: FASB's Statement of Financial Concepts No. 1: *Objectives of Financial Reporting by Business Enterprises*, par. 34.

⁷ See SFFAC 1, par. 75-87; SFFAC 4, par. 6-9; and SFFAS 6, Basis for Conclusions, par. 123 for a summary of the users of federal financial reports and their stewardship information needs.

⁸ "Citizens" include individual citizens as well as citizen intermediaries (i.e., the general news media and more specialized users such as trade journals); public interest and advocacy groups; state and local legislators and executives; and analysts from corporations, academe, and elsewhere. According to SFFAC 1, par. 76 and SFFAC 4 par. 7, "Citizen intermediaries devote more time to reading, analyzing and interpreting more detailed information that they analyze, summarize and pass on to Citizens for further application." (SFFAC 4, par. 16)

artwork, and 500 geological specimens. These diverse categories have different measurement attributes that are not readily quantifiable in monetary units.

20. Therefore, each entity should identify and apply the qualitative factors that will govern their HA/SL note disclosure. Choosing qualitative materiality factors is a practical means to achieve straightforward and consistent reporting procedures for stewardship assets. The intent is that management should do what is reasonable to report information about the entity's HA/SL yet avoid costly and burdensome reporting of unnecessary detail.

Qualitative Factors to Consider

21. Reporting information about HA/SL should reflect the entity's stewardship processes and responsibilities for managing stewardship assets. Such reporting can be accomplished, in part, by analyzing the entity's mission as part of determining which asset categories are material and warrant separate classification and presentation. As mentioned previously, factors to be considered, among others, are whether the asset categories are viewed as "important to the nation" or to the mission of the entity, and whether the assets are "visible, vulnerable, or controversial." Other factors to consider include whether the entity has significant operations, programs or activities related to the management of the HA/SL. Additionally, consideration should be given to whether HA/SL have characteristics or qualities that have widespread public interest.

Financial Presentation, Disclosure and Meaningful Aggregation

22. Inherent in preparing financial statements in conformity with GAAP, management makes financial reporting assertions about HA/SL, generally in five broad categories: existence, completeness, rights and obligations, valuation, and presentation and disclosure. As stated in the Basis for Conclusions section of SFFAS 29, "... 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 HA, how it manages and materiality considerations."⁹
23. As supported by the Basis for Conclusions for SFFAS 29,¹⁰ management must differentiate between (a) detailed records that may be needed for management control and safeguarding purposes, and (b) presentations that are material for stewardship note disclosures. Entities may track individual assets and asset categories for control purposes that do not warrant separate presentation in their stewardship note disclosures. For example, under the Real Property Initiative of the President's Management Agenda, agencies are

⁹ SFFAS 29, Basis for Conclusions, par. 79.

¹⁰ SFFAS 29, Basis for Conclusions, par. 85.

required to record information about assets in the *Federal Real Property Profile* database. This information is viewed as an asset manager's tool and may provide estimates on a large scale to generally depict the government's assets.

24. Management's consideration of materiality should focus on identifying *meaningful levels of aggregation* for reporting; i.e., determining which HA/SL warrant classification and presentation in separate categories. For example, are the assets unique, especially important and of exceptional interest?
25. In order to meet the reporting objectives of SFFAS 29, consistent with the financial reporting assertions, and with a focus on meaningful aggregation, management should analyze the entity's HA/SL:
 - For significant HA/SL that are considered meaningful for aggregation, establish separate categories and disclose the number of physical units¹¹ in each category.
 - If immaterial "entities may omit heritage asset and SL information."¹²
26. In summary, the agency is in the best position to determine the appropriate level of fair presentation, aggregation and physical units of measure for presenting each major category based on the entity's mission, the types of HA/SL, and how it manages its assets. Such determinations are highly subjective and require the use of professional judgment.

¹¹ "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." (SFFAS 29, footnote 10).

¹² SFFAS 29, Basis for Conclusions, par. 101.

Section II. Identification, Categorization, and Quantification

27. SFFAS 29 provides considerable latitude on identifying, categorizing, and quantifying footnote information on HA/SL. The Board provides broad guidance, and allows flexibility for each entity to determine what constitutes relevant and reliable information for its individual HA/SL.¹³ Reporting requirements for HA/SL include acquisitions, withdrawals, and ending balances expressed in physical units. SL physical units are by major categories of use¹⁴ whereas HA physical units are by major category.¹⁵ HA/SL (1) should be reported with a note reference on the balance sheet with no asset dollar amount shown and (2) costs associated with HA/SL must be recognized in the statement of net cost (SNC) for the period in which the costs are incurred. Also non-financial information on HA/SL (including multi-use HA) must be reported in the note disclosure.
28. Multi-use HA requires additional descriptive information in the heritage asset note disclosure, with cross references directing the reader from the balance sheet to the note disclosure. Multi-use HA are to be reported in both the principal financial statements (in dollars) as general PP&E and in the heritage asset note disclosure (in physical units).¹⁶ This reporting and note disclosure would not be considered duplicative as each category is considered unique for this reporting purpose.
29. Additionally, agencies should document the identification, categorization, and quantification reasoning in their internal accounting policies and procedures to ensure the consistent reporting for all similar HA/SL.

¹³ SFFAS 29, par. 79 – 85.

¹⁴ SFFAS 29, par. 40 d.

¹⁵ SFFAS 29, par. 25 d.

¹⁶ SFFAS 29, par. 27 and 29.

Identification

General Issues

30. A primary issue in implementing SFFAS 29 is determining whether land is SL or General PP&E land; and whether an asset is a heritage asset, a multi-use heritage asset, or General PP&E. Making each determination correctly is fundamental to accounting and reporting for HA/SL.
31. SFFAS 29 broadly characterizes HA/SL as generally expected to be preserved indefinitely. In addition to the definitions of HA/SL contained in the standard, HA/SL are significant to the nation's history and culture. Being listed on the National Register of Historic Places, although not considered a required criterion for identifying HA,¹⁷ may indicate that the asset is HA. Other ways to identify HA/SL include specific designations set forth by authoritative bodies such as Congress, the President, or an agency head as well as cultural protection laws, regulations, or other cultural asset protection standards. Also, HA/SL may have characteristics or qualities that are of widespread public interest.
32. Once HA/SL have been identified, each entity must determine the most appropriate level to report these assets for purposes of the required note disclosure. This reporting depends on the types of HA/SL, the entity's mission, materiality considerations, and the entity's ability to classify such assets consistently from year to year.
33. The following HA, multi-use HA, and SL examples illustrate how some PP&E could be identified as HA or SL. However, the examples are for illustrative purposes only and their disclosures are not mandatory. The examples are not all-encompassing and agencies may identify other more useful and relevant criteria to identify HA/SL. Appendix C provides examples of footnote disclosures.

Heritage Assets

Heritage Asset Examples

34. Example 1: Historic and prehistoric structures may be identified as HA because historic structures are significant to the nation and are associated with the important people and history of the nation.¹⁸ They are constructed works consciously created to serve some human activity or purpose. These structures include buildings, monuments, dams, canals, stockades, fences,

¹⁷ SFFAS 29, par. 15 and 16.

¹⁸ An example of such a site is the U.S. DOE Nevada Test Site on which various archeological sites have been identified. Most were left by the ancestors of the present-day Indian tribes, Paiutes and Shoshones. These sites include rock shelters, brush houses, fire pits for cooking, and artifacts on ground surfaces.

defensive works, temple mounds, kivas, ruins of all structural types, and outdoor sculptures.

35. Example 2: National historic landmarks possess exceptional value or quality in illustrating or interpreting the heritage of the United States in history, architecture, archeology, technology, and culture. They possess a superior location, design, setting, materials, and workmanship. They are districts, sites, buildings, structures, or objects of national significance possessing exceptional value in commemorating or illustrating the history of the United States. The Historic Sites Act of 1935 authorizes the Secretary of the Interior to grant this designation as the federal government's official recognition of the national importance of historic properties.
36. Example 3: A cultural landscape is identified as a HA because of its natural and cultural significance. A cultural landscape is a geographic area, including both natural and cultural resources, associated with an historic event, activity, or person. These landscapes may contain trails, trees, waterways, or structures but are combined into one unit by their designation and collectively viewed as one HA. There are four general types of cultural landscapes: historic sites, historic designed landscapes, historic vernacular landscapes, and ethnographic landscapes.¹⁹
37. Example 4: Museum or library collections may be identified as HA because they may have historical significance and/or cultural, educational or artistic importance. These collections comprise objects or materials that have been gathered and maintained for exhibition or use. These items could include exhibit pieces, artifacts, published materials, and/or other literary content in any format.

Multi-use Heritage Assets

38. A HA that serves two purposes, for example, a heritage function and a government operations function, should be considered a multi-use HA and classified as general PP&E if the predominant use (not the incidental use) of

¹⁹ One example of a cultural landscape is Fort Bragg. This cultural landscape is unique because of its continued use for defense related purposes and the influences to the landscape that result from defense related activities. Another example that encompasses three overlapping cultural landscapes is the Department of Energy (DOE) Hanford site. The first landscape represents a rich archeological and ethnographic landscape that has existed for more than 10,000 years where local American Indian tribes still revere the area for its spiritual and cultural importance, as they continue the traditions practiced by their ancestors.

The second landscape embodies the experiences of the immigrants who started arriving in the mid-19th century. Following the explorers and fur traders who passed through the area were miners, ranchers, and then farmers. In 1943, the U.S. Government acquired the land for a secret wartime project and approximately 1,500 families were forced to move. Today, the former residents and their families recall the homes they had to leave and see the remains of their farms and towns as symbols of the sacrifice they made to the war effort.

The third landscape is associated with World War II and the subsequent Cold War. The government acquired the land in 1943 to build large industrial facilities to produce plutonium, which served a vital role in the nation's defense. Hanford's mission expanded during the Cold War era to include research and development activities associated with the peaceful uses of atomic energy. Today, the remains of the facilities and legacy wastes document an important part of the nuclear age story.

the asset is in general government operations.²⁰ Entities should consider the predominant use of a HA in determining the appropriate accounting treatment.

Multi-use Heritage Asset Examples

39. Example 1: Assets in the Nation's capital that are currently identified as multi-use heritage assets include the Department of the Treasury and the Government Accountability Office (GAO) buildings. The main Treasury Building is used predominately for agency operations but also has historical significance as evidenced by its National Historic Landmark status. The GAO building qualifies as a multi-use heritage asset because it is listed in the National Register of Historic Places, and it is being used in general government operations.
40. Example 2: The Hoover Dam's predominant use is an operational dam providing hydro power, recreation, and water supply. It is also a National Historic Landmark and a museum facility. Therefore, it is considered a multi-use heritage asset.
41. Example 3: A Supervisor's Office for a National Forest is identified as a multi-use heritage asset because it provides administrative office space for Forest Service personnel who manage operations of the forest. While its predominant use is for administrative office space, the office is also listed on the National Register of Historic Places because of its age and unique log architectural design.
42. Examples 4 and 5 below describe assets that are not multi-use heritage assets because they do not meet the definition of HA or are exempt from classification as multi-use HA.
43. Example 4: The Punta Gorda Lighthouse is an operational lighthouse that is capitalized and reflected on the balance sheet. Even though the lighthouse is a contributing property to an historic site and has attributes that are considered historically valuable, these attributes are common to many other historic structures in the country. Management has determined that the lighthouse is not a multi-use heritage asset, because according to the managing agency's internally documented procedures for identifying heritage assets, the lighthouse does not meet the necessary level of historic significance for disclosure.
44. Example 5: The Jefferson National Expansion Memorial (St. Louis, MO) has incidental administrative offices and shop space located in the memorial. In this case, the memorial should be reported as a heritage asset.

²⁰ SFFAS 29, par. 18.

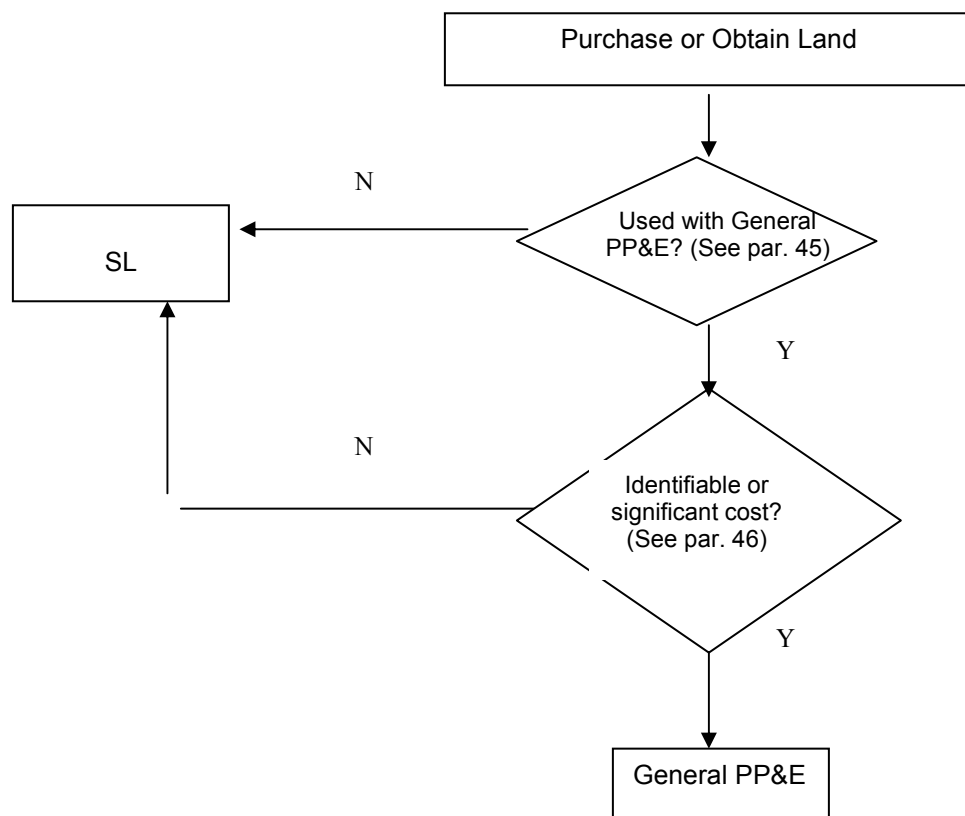
Stewardship Land

45. Entities commonly classify land by using a two-step process. First by determining whether the land meets the criteria for general PP&E land or SL. Land is considered general PP&E if it is "acquired for or in connection with items of general PP&E."²¹ SL is land and land rights owned by the federal government but not acquired for or in connection with items of general PP&E.²²
46. If land meets the criteria for general PP&E, then determine if the land has an identifiable cost.²³ If land does not have an identifiable cost or where cost is nominal or insignificant, it is SL, regardless of whether it is "acquired for or in connection with other general PP&E." The following chart provides implementing guidance for interpreting par. 25 of SFFAS 6 and par. 35 and 36 of SFFAS 29.

²¹ SFFAS 6, par. 25. The phrase "acquired for or in connection with" is defined as including "land acquired with the intent to construct general PP&E and the 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," according to SFFAS 29, footnote 16.

²² SFFAS 29, par. 33 and 36.

²³ Examples where land would have an unidentifiable, nominal, or insignificant cost would include federally owned lands that were part of the Louisiana Purchase in 1803 (Louisiana, Arkansas, Oklahoma, Missouri, Iowa, Kansas, Nebraska, South Dakota, Montana, and parts of Minnesota, Wyoming, and Colorado), the Gadsden Purchase in 1853 (parts of Arizona and New Mexico), and the Oregon Territory where American title was established in 1846 by the Spanish-American Compromise (Washington, Oregon, and part of Idaho). These lands do not have an identifiable cost because the land was acquired at nominal cost (in current dollar value) or at no cost at all. These lands are part of the originally constituted America's "public domain" land. Much of this land is no longer under federal ownership. What remains under federal ownership today is generally referred to as the "public lands." The concept of "identifiable cost" in determining whether land is stewardship land does not apply to situations where land logically would have an identifiable cost but that cost is unknown due to inadequate accounting, weak or no internal controls, or other imprudent actions.



Stewardship Land Examples

47. Example 1: In order to establish a military base, testing ground, or firing range, an agency receives a transfer²⁴ of federal land that was originally part of large territories of "public domain" land that the Nation acquired at nominal cost. This public domain land, acquired by transfer from another federal entity, does not have an identifiable cost. Therefore, this public domain land is SL, regardless of how the agency uses it. In this case, the land would be categorized and reported as SL for financial reporting purposes.

48. Conversely, if land were purchased for or in connection with construction of a military base, testing ground, or firing range, it would have an identifiable cost and should be included in general PP&E. In this case, the land would be reported on the balance sheet with a dollar value along with other capital assets.

²⁴ See SFFAS 29, par. 39 and 40.d. (3) for the discussion on SL transfers.

49. Example 2: Agency 1 has been granted specific legislative authority to sell tracts of land that were originally public domain land (currently classified as SL) to the public and to retain a portion of the proceeds²⁵ from those sales to purchase environmentally sensitive tracts of land from the public in locations prescribed by the enabling legislation. The purchased land may be retained and managed by Agency 1 or it may be transferred to another federal agency (Agency 2) for management of the SL (e.g., for use as wildlife habitat, forest production, or other SL use). At the point when the sale and purchase transactions occur, the cost/value of the land sold and purchased is known. However, this SL is not associated with general PP&E and therefore is classified as SL.
50. In this example, Agency 1 would report a reduction in the quantity of SL reflecting the disposal (sale) transaction. When land is subsequently purchased, Agency 1 would show an increase in the quantity of SL reflecting the purchase transaction. If the purchased land is transferred to Agency 2, Agency 1 would show a reduction in the quantity of SL reflecting the transfer to Agency 2 for management. Agency 2 would reflect an increase in its quantity of SL. No monetary amounts relating to land would be reported on the balance sheet.
51. When each agency develops its footnote disclosures, the actual increase or decrease in categories and/or physical units depends on how each agency in the example chooses to categorize and quantify its SL. In this example, Agency 1 has a “multiple-use” category²⁶ and quantifies its land by management unit. As such, if a management unit were reduced or increased in size but not eliminated or created, there would be no net change in its reporting. Agency 2 has a major category of use of conserving, protecting, and enhancing fish and wildlife and their habitats. Agency 2 quantifies its land by refuge. If the increase in land does not create a new refuge, then Agency 2 would also show no net change in its reporting.
52. Example 3: An agency purchases land for \$300,000 that is to be added to a wildlife refuge for wildlife habitat. In this example, the land has an identifiable cost, but it was not acquired for or in connection with general PP&E.

²⁵ Generally speaking, federal agencies can sell and purchase land. However, without specific legislative authority, they cannot retain proceeds from the sales of land for any agency purpose. Proceeds from the sale of land would normally be transferred to the General Fund of the Treasury.

²⁶ An example of “multiple-use” land is when legislation requires the use of multiple natural resources (i.e., domestic livestock grazing, fish and wildlife development, mineral exploration and production, rights-of-way, outdoor recreation, and timber production) related to the SL and no single use is predominant.

Therefore, it does not qualify as general PP&E land. Thus, the land is SL and the \$300,000 purchase price would be expensed in the year of acquisition.²⁷ In this example, if the reporting unit (wildlife refuge) was increased in size, but the increase did not create a new refuge, then the entity would show no net change in its reporting related to SL units. However, if the agency reports by units, such as acreage, it would reflect an increase in units.

²⁷ In accordance with SFFAS 29, par. 37.

Categorization

53. SFFAS 29 emphasizes reporting on asset categories, rather than individual assets²⁸ such that reporting should be by major category for HA and major category of use for SL.²⁹ Moreover, entities should determine the appropriate level of detail for their categorization. Related groups of assets that do not warrant classification and presentation in separate categories should be aggregated.³⁰

General Issues

Designation of Categories

54. The determination of which HA/SL warrant presentation in separate categories is related to whether they are material based on management's judgment. As described in the section on *Materiality Considerations*, management's consideration of materiality for HA/SL focuses on meaningful levels of aggregation for the stewardship note disclosures.

Establishing the Level of Reporting Detail

55. The appropriate information for reporting HA/SL can vary from one entity to another, as well as from a component entity to the consolidated entity. The level of detail of the information presented depends, in part, on the mission of the entity, the types of stewardship assets, how the entity manages the assets, and the materiality of the assets in question.³¹ For example, an agency with stewardship as its primary mission might choose to report more extensive and detailed categories than an agency that does not have a stewardship mission. It is important to clarify that agencies may establish levels of detail for HA/SL and manage them for control purposes in a manner that is different from how they categorize and aggregate them for financial reporting purposes.
56. Also, some HA/SL categories overlap because they are defined in ways that result in certain assets, such as landscape monuments, being reported as both HA and SL. However, such reporting is not duplicative because the type of information reported for each category is different. For example, while a landscape monument might count as one item in the category of HA, the land

²⁸ SFFAS 29, par. 25.c. and 40.c.

²⁹ The phrase "major category of land use" is not specifically defined in SFFAS 29. However, based on the definition of land (the solid part of the surface of the earth), one might reasonably assume that the land functions as the foundation for natural resources and as a basin for water resources (water being a natural resource). It is the natural resources that land-management agencies manage, and it is the resources for which they authorize use. Hence, the phrase "major category of land use" can be implied to mean "major category of resource use."

³⁰ Aggregation of assets into categories could be compared to or likened to identifying "major classes" of assets. SFFAS 6 provides examples of major classes for general PP&E in footnote 63. These include, among others, buildings and structures, furniture and fixtures, equipment, vehicles, and land.

³¹ See Section on *Materiality Considerations*.

supporting the monument could be included in the physical units under SL.³² The *Craters of the Moon National Monument and Preserve* might be reported as HA and the vast expanse of land under the monument reported with the many tracts of land managed by the district.

Heritage Assets

57. SFFAS 29³³ requires that entities categorize HA by “major category.” Major categories can be defined in many ways such as:

- The characteristics or attributes that make them unique, e.g., historical, natural, cultural, educational, artistic, or architectural;
- Designations of significance by experts or government leaders;
- The nature of the items such as collectible or non-collectible;
- Structural or non-structural; and
- Asset use such as transportation, dwellings, shipping, ghost towns, military, farming, burial, and many others.

58. Some examples of categories of HA, which are not intended to be all encompassing, include:

- Monuments,
- Landmarks,
- Landscapes,
- National Parks,
- Museums,
- Cemeteries,
- Libraries, and
- Districts or Regions.

Heritage Asset Examples

59. Example 1: Pompeys Pillar is categorized as a national landmark that is both HA and SL. This landmark is a rock outcropping, a massive natural block of sandstone and a major landmark along the route of the Lewis and Clark Expedition. Because of its historical significance, (including Clark’s signature carved on its surface), it is included in the National Historic Landmarks Program and therefore considered an HA. The National Park Service categorizes Pompeys Pillar as a National Historic Landmark property type of “landscape – natural feature.” The managing agency has determined the physical unit to be the number of landmarks in this category.

60. Example 2: Some national monuments are included in HA categories because of their historic or natural attributes and because sometimes they

³² In accordance with SFFAS 29, par. 17.

³³ Par. 25 item c.

contain aspects of both. An example is the Grand Staircase-Escalante National Monument,³⁴ which has primarily landscape attributes. This monument's vast and austere landscape embraces a spectacular array of scientific and historic resources. This high, rugged, and remote region, where bold plateaus and multi-hued cliffs run for distances that defy human perspective, was the last place in the continental United States to be mapped. Today, this unspoiled natural area remains a frontier, a quality that greatly enhances the monument's value for scientific study. In this example the managing agency has categorized the physical unit to be monuments therefore, this asset would be considered one unit under the monuments category.³⁵

61. Example 3: The Statue of Liberty³⁶ and Ellis Island National Monument³⁷ are identified as HA because of their historical significance. Ellis Island was incorporated as part of the Statue of Liberty National Monument on May 11, 1965. The entity has selected "National Monuments" as a HA reporting category and appropriately reports these HA in that category.

62. Example 4: An agency has archeological sites distributed across large tracts of agency managed lands. The lands have a very diverse topography and accessibility is difficult. These assets are evaluated as to their significance, have distinct public value, and they are recognized for research potential yielding scientific information or supporting management decision-making, interpretation, education, or economic benefits. Thus, management has categorized them as HA. These HA are actively maintained within the agency's stewardship program. This agency's management has made a determination that to receive "significant" or "priority" status, the HA must also meet one or more of the following agency recognition criteria:

- Official designation;
- Prior financial investment in preservation, protection, interpretation, or use; or
- An agency approved management plan.

Stewardship Land

³⁴ Grand Staircase also has a long and dignified human history; it is a place where one can see how nature shapes human endeavors in the American West, where distance and aridity have been pitted against our dreams and courage. The monument presents exemplary opportunities for geologists, paleontologists, archeologists, historians, and biologists.

³⁵ Congress granted the President authority to designate national monuments in the Antiquities Act of 1906, which specifies that the law's purpose is to protect "objects of historic or scientific interest." In addition to national monuments created through presidential action, Congress establishes national monuments by passing a law to create each individual monument with its own purpose (generally to protect natural or historic features).

³⁶ The Statue of Liberty was dedicated on October 28, 1886, and was designated a National Monument on October 15, 1924. Located on 12-acre Liberty Island in New York Harbor, the Statue of Liberty was a gift of international friendship from the people of France to the people of the United States and is one of the most universal symbols of political freedom and democracy.

³⁷ Ellis Island was incorporated as part of the Statue of Liberty National Monument on May 11, 1965. Between 1892 and 1954, approximately 12 million steerage and third class steamship passengers, who entered the United States through the port of New York, were legally and medically inspected at Ellis Island.

63. 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 in note disclosure. The appropriate level of categorization of SL use should be meaningful and determined by management based on the entity's mission, types of SL use, and how it manages the assets.

Stewardship Land Examples

64. Example 1: An example of a multiple-use category includes SL for which legislation prescribes the multiple use that will be achieved or authorized on the same tract(s) of land including, but not limited to domestic livestock grazing, fish and wildlife development and utilization, mineral exploration and production, rights-of-way, outdoor recreation, and timber production.³⁸
65. Because the legislation requires "multiple-use" of all of the natural resources related to the SL, with no single use being predominant, the major category of use is "multiple." However, a description of the multiple uses should be presented. Categorization of SL could be disclosed by geographic management unit, such as a state or region or perhaps a lower level management unit such as a field, district, or area jurisdiction. The management units could be reported consistent with the manner in which they are managed, that is, by a specific land use plan (or management plan), which specifies how the natural resources related to the land will be used over a long-term period (i.e., one or more decades).
66. Example 2: SL is categorized as recreational when this is the predominate use of the land. Within this category, the physical units could be reported as a region, park, district, or other field unit jurisdiction.
67. Example 3: SL can also be categorized by function. Land can support such activities as education, transportation systems, and farming and grazing. For example, the mission of an agency may be to enhance the quality of life, promote economic opportunity, and carry out responsibilities to protect and improve trust assets such as providing schools and other opportunities for learning. Physical units within this category could be reported as townships, parcels, tracts, acres, or other units.
68. Example 4: An agency manages lands (that were formally public domain lands and were withdrawn³⁹) for the purpose of constructing statutorily-

³⁸ SFFAS 29 par. 34 and footnote 17 specifically exclude the natural resources related to the land.

³⁹ "Withdrawal" of public lands means the removal or withholding of public land, by statute or Secretarial Order, from operation of some or all of the public land laws.

authorized federal water projects and their associated canals, laterals, and drains to (a) provide water for agricultural, municipal, and industrial uses; (b) maintain flood control; and (c) generate power. In this federal water projects category, the number of units could be the number of major projects consisting of numerous related divisions, units, features, or facilities.

Quantification

General Issues

69. SFFAS 29 requires HA/SL to be quantified in physical units, rather than in monetary terms.⁴⁰ However, SFFAS 29 does not define the term "physical units" or specify which physical units should be used to quantify the variety of HA/SL categories and subcategories held by federal entities. Accordingly, quantities may be reported in a manner consistent with data available from existing management systems.
70. Physical units could consist of: items to be counted such as monuments, museum collections, facilities housing museum collections, parcels, tracts, sites, regions, districts, locations, management units; or units of measure such as inches, linear feet, square or cubic area (feet or yards), acres, miles, or kilometers. There may be other metrics to use in quantifying HA/SL not listed here.
71. However, counting physical items may not be necessary, particularly for collection-type HA, such as books and records contained in libraries. It may be 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. For SL, it may be appropriate to define the physical unit as regions or areas (where regions and areas are management jurisdictions) and then count and disclose the number of regions, areas, or acres, depending on the relevance of the metric used and the cost/benefit of capturing the information.
72. The above discussion highlights the need for management to differentiate between (a) detailed records that may be needed for management control and safeguarding purposes, and (b) financial statement reporting purposes for note disclosures. Many entities have stewardship responsibilities and control systems that can be traced to public laws or administrative rules. As good stewards, they may track individual assets and asset categories for control purposes that do not warrant separate presentation or disclosure in their financial reports. On the other hand, agencies also need to determine if there are legal or regulatory requirements for reporting HA/SL in the financial statements. Regardless of how the entity chooses to disclose, reporting should be done consistently. Also, as noted in SFFAS 29 par. 82 of the Basis for Conclusions, management should document its reasoning for the categorization and unitization.

Heritage Asset Examples

⁴⁰ SFFAS 29, par. 25 and 40.

73. The following examples represent potential approaches for quantifying heritage assets in the footnote disclosure.
74. Example 1: Wild and Scenic is a river designation that can be bestowed by Congress. In this example, the agency manages multiple Wild and Scenic rivers and quantifies them in terms of the number of rivers. This presentation is at a higher level of aggregation than is required to meet management objectives, which may include the number of river miles, types of river miles (i.e., recreational, scenic, or wilderness), river segments, and other aspects of river management needed to fulfill mandates required by public laws and regulations.
75. Example 2: Similarly, national scenic trails are congressionally designated. An entity may report the number of trails it manages even though it may not manage the entire length of certain trails.⁴¹ Additional data on these trails, such as the portion of each trail the entity is responsible for managing, exists within their management systems but does not have to be reported in the financial footnote disclosure. However, the entity may choose whether to report this supplemental data in its financial report as other supplementary information.
76. Example 3: Certain National Historic Landmarks are congressionally designated. An entity may choose to report only the number of landmarks under this category, even though these landmarks may contain multiple properties within each landmark. Another entity which also reports National Historic Landmarks may instead choose to report the properties within each landmark. Both of these reporting methods are acceptable under SFFAS 29.
77. Example 4: Archives, which include, but are not limited to, paper records and manuscripts, could be reported in cubic feet such as 238 million cubic feet or 211 collections. In terms of archived electronic documents, the disclosure could be to report such records in number of logical data such as 30 million or 830 collections.
78. Example 5: Museum items discovered on SL and managed in connection with HA include, but are not limited to, dinosaur bones, fossilized remains or traces of dinosaurs, herbarium specimens, mammals, insects, cultural objects depicting early human occupation, architecture, engineering, and American history. The museum items are maintained and managed to professional standards by federal and non-federal repositories. The entity has determined that it will report these assets based on the number of facilities (repositories) housing the museum items (collections). This categorization is suitable for the entity given the latitude allowed by SFFAS 29 regarding reporting relevant and reliable information on aggregation of units.

⁴¹ Many trail systems consist of segments managed by one or more federal agencies as well as by non-federal entities. For purposes of this example, each federal agency would be responsible for disclosing that which it manages.

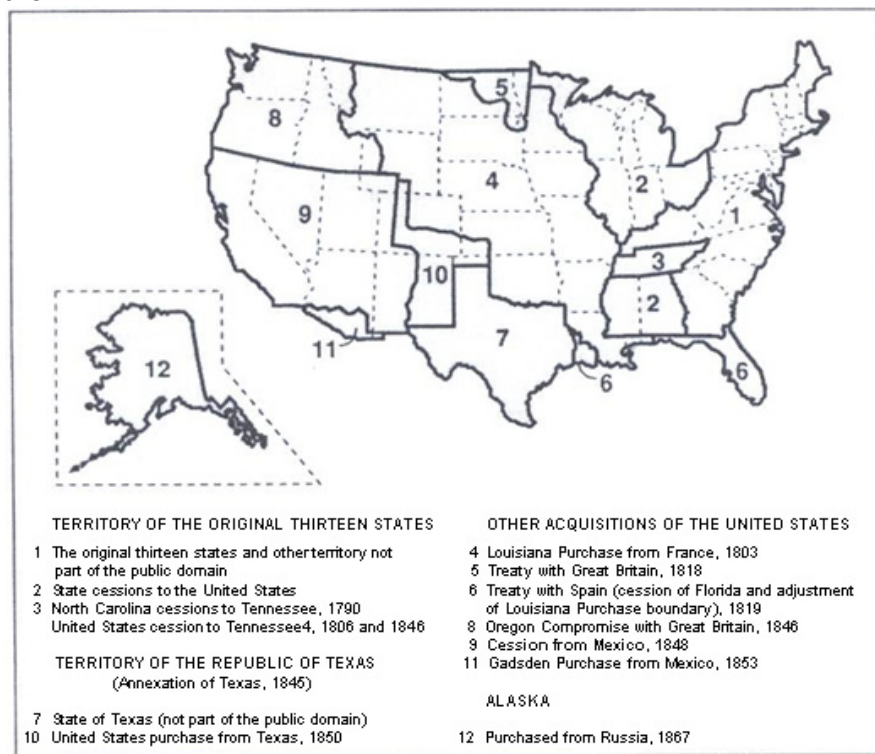
Stewardship Land Example

78. Reporting for each major category of SL use should include physical units by major category of use.
79. Example 1: An agency is organized largely by the states in which it has management responsibility for SL. Within each state there are jurisdictions that are smaller management units sometimes identified as field offices or districts. Within a field office there are smaller management units identified as area offices. This agency has selected the field office level as the “physical unit” for reporting its accountability over SL. This physical unit was selected because the agency usually develops its land use plans at this level although certain parcels of land within a field office may require a distinct plan separate from the rest of the management unit. The agency has 118 field offices and based on its assessment, it is most appropriate to report 118 physical units of SL.

Supporting Documentation

80. In the Basis for Conclusions of SFFAS 29, par. 86-88, the FASAB briefly discusses the fundamental problems associated with providing corroborating documentation to auditors on historical assets which predate the effective date of the standard, and were acquired in an environment in which the historical records were not required to be retained and therefore may not exist or be inadequate. The following section addresses some of the complexities associated with documenting America's stewardship lands and heritage assets.

Figure 1:



81. The public domain once stretched from the Appalachian Mountains to the Pacific. Of the approximate 1.8 billion acres of public land acquired by the United States, about two-thirds went to individuals, corporations, and the states. The remaining public domain was set aside for national forests, wildlife refuges, national parks and monuments, and other public purposes.

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82. The majority of the public domain that remains today is stewardship land. As identified in the above graphic, this land was acquired through various purchases and cessions prior to 1870. During these early periods (1776 to the early/mid 1900s) few envisioned the need for the kinds of records, documents, and statistics that are required today. Acquisitions and disposals of land, whether from purchase, cession, or treaty, were not documented in the same manner as land transactions in more modern times. For example, as identified in item 6 of the above graphic, the boundary of the Louisiana Purchase was not well defined which led to a dispute between Spain and the United States resulting in the boundary adjustment of 1819. Surveys of the public land east of the Mississippi River began in 1785. Two years later, survey of only 4 ranges (about 144 square miles) had been completed. Much of the stewardship land remains unsurveyed today.
83. Definitive documentation on the majority of these lands is not available; therefore management must choose alternative methods of satisfying management's assertions for these assets. For assessing land, for example, these alternatives could mirror areas defined in the "Categorization" section of this document, such as the number of areas of recreational use, geographic management areas, and federal water projects of fish hatcheries.
84. HA also have many of the same documentation problems since antiquities laws and preservation acts did not go into effect prior to artifacts having been collected and preserved. Many of these assets may reside in federal and nonfederal repositories. However, records and detailed listings from these periods generally do not exist. In more recent times, legislation has strengthened the laws and rules regarding preservation and documentation over these assets.⁴²

⁴² For example, The Antiquities Act of 1906 provides authority for the President to establish National Monuments and gives authority to the Secretaries of Agriculture and Interior to issue permits for investigation and collection of resources from federal land and for collections . . . to be made for permanent preservation in public museums; The Museum Properties Management Act of 1955 authorizes the Secretary of the Interior through the National Park Service to preserve objects found within individual national parks; and the National Historic Preservation Act of 1966 directs the Secretary of the Interior to promulgate regulations that ensure that significant prehistoric and historic artifacts and associated records are deposited in an institution with adequate long-term curatorial capabilities.

Methodology for Developing Supporting Documentation

85. Ideally, agencies should have a historical file evidencing ownership of HA/SL. But, when original property records or other documentation (for example, deeds, tax assessments, insurance records, etc.) for HA/SL do not exist, a methodology needs to be employed in order to develop alternative documentation to support management's assertions of federal ownership. For example, maintenance or renovation contracts, historical maintenance records or a history of payment of invoices, minutes of meetings, historical data bases, surveys of land records, a history of past/historical practices (e.g., establishing defacto ownership), or other relevant sources of information may provide acceptable alternative evidence of government ownership of HA/SL.

Section III. Assessing and Reporting Condition

Assessing Condition

86. The condition⁴³ of HA/SL is to be reported as RSI unless it is reported elsewhere in the report containing the basic financial statements.⁴⁴ For consistency, condition should generally be reported for asset categories, rather than for individual assets.⁴⁵ However, the assessment of condition for HA/SL, which have a unique nature and specialized use, does not always lend well to traditional physical assessments such as “good,” “fair,” and “poor.”⁴⁶ Such assessments are usually applied to items of general PP&E that break, wear out, or become obsolete while in service.
87. Traditional condition assessments or evaluations typically compare the current condition of an operating asset (such as a piece of equipment) against its original condition. As such, traditional condition assessments provide some indication of an asset’s status in its useful life cycle, i.e. the asset’s ability to perform as planned for the expected period of time. However, unlike items of general PP&E whose utility is expended over time in order to produce goods or services, HA/SL generally have an unlimited or indeterminate useful life or are expected to be preserved indefinitely.
88. Agencies may assess the condition of HA/SL as a function of their day-to-day operations and document condition through periodic assertion/assessment statements provided by their field office managers. In order to make these assessments, management should consider developing criteria or guidelines to enable agencies to assess condition.
89. Agencies also need to evaluate the cost and benefits of doing condition assessment surveys. Such things as cycling the assessments on a rotating basis, the frequency of assessments (i.e., every 3 or 5 years) and the criteria and methodology used for making such assessments need to be considered. Management needs to document the procedures and methodology used on a consistent basis.
90. Although it is not possible to explicitly cover every circumstance that may arise, the examples presented in this technical release are intended to provide preparers with a broad range of acceptable methods for assessing and reporting condition consistent with the purposes intended by SFFAS 29. This technical release provides the foundation for preparers to exercise judgment in formulating their course of action.

⁴³ SFFAS 29 par. 41 footnote 22 gives a detailed explanation of condition, and par. 57 discusses the reasons for reporting condition as RSI. In addition, SFFAS 6 par. 77, 78, and 81 and footnotes 58 and 62 provide some insight into condition.

⁴⁴ SFFAS 29 footnote 11 states in part: “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.”

⁴⁵ See par. 81 and 84 of SFFAS 29 for more details.

⁴⁶ For example, the existing state of the Liberty Bell (i.e., cracked and unable to ring) does not necessarily mean that the condition of the bell is poor.

Develop Criteria for Assessing Condition

91. The appropriate criteria for assessing condition depend on factors such as the agency's mission, the nature of the assets, the purpose for which they are managed, and their intended use. The criteria that are used by an agency to assess condition should be explained in suitable detail in RSI.
92. An agency could determine the condition of some of its HA/SL through site monitoring. The agency leverages its resources through partnerships with state, local, tribal organizations, other law enforcement personnel, and other volunteers under the direction of agency scientists to monitor thousands of sites annually. The heritage and stewardship land sites are visually inspected using previously prepared maps, photos, current land uses, site forms, and other baseline data to monitor and document changes and determine trends and condition of the site as compared to the condition when the site was first discovered. At-risk sites are usually monitored more frequently than sites that have remained stable.

Reporting Condition

93. According to SFFAS 29, par. 26, 27, and 41:

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

Heritage Assets

94. Condition information for HA and the different categories of HA should fit the particular situation and circumstances. The emphasis should be on evaluating the efforts to preserve HA in the same state as when they were discovered. Additionally, for some categories condition information should be reported on individual HA, while condition information for other categories is more appropriately reported for a collection.
95. The primary focus for museum collections is preservation. Great attention is given to: (1) stabilizing objects in the condition in which they were received; and (2) preventing further deterioration. Documenting facility preservation procedures to "safeguard" assets (i.e., adequately protected, properly

managed, and not materially degraded while under government care) may be more appropriate than assessing individual objects as having good, fair, or poor condition.⁴⁷

96. As previously noted, HA are generally expected to be preserved indefinitely.⁴⁸ However, this expectation needs to be tempered with the understanding that all physical things will ultimately deteriorate. For example, in the restoration of the historic flag, "Old Glory," the painstakingly careful work to remove the flag from an old linen backing could have caused some damage to the flag itself. Moreover, many of the flag's woolen threads are already cracked as a result of flapping in the wind, aging, and exposure to light. The goal of safeguarding is to preserve HA for as long as possible, and to manage their condition in accordance with their intended use and not to unduly hasten their deterioration.⁴⁹

Heritage Asset Examples

97. Example 1: An Indian cliff dwelling may be discovered with only three remaining walls. The fact that the wooden roof has long since rotted away and one wall has fallen due to climatic conditions over many years does not mean that the remaining structure should be judged to be in poor condition. The original function of the cliff dwelling as living quarters is no longer relevant, but it must now be viewed in terms of its archeological value. Thus such a structure may be viewed to be in "acceptable" or "satisfactory" condition because either its particular state indicates that it will be preserved indefinitely or any necessary intervention has been accomplished to avoid further deterioration. Should there be a real possibility that another wall could collapse due to erosion from climatic conditions; the condition may be evaluated as "needs intervention" or "threatened."
98. Example 2: The condition of museum collections may be evaluated in terms of a specific facility's methodology used to preserve the assets, (i.e., the facility curating the museum collection), rather than by individual assets or collections.⁵⁰ For example, pre-historic pottery that is retrieved from an archeological dig in broken pieces cannot be classified as being in "poor" condition. The original function of the pottery as a container to store water is no longer relevant, but rather it must be viewed in terms of its value to understand a pre-historic culture. However, the item could deteriorate beyond the condition in which it was found through improper care.

⁴⁷ The Basis for Conclusions to SFFAS 6 highlights the importance of safeguarding HA/SL.

⁴⁸ SFFAS 29, par. 16.

⁴⁹ SFFAS 6, Basis for Conclusions, par. 125 states that the government "...must demonstrate that it is being an appropriate steward for these assets..." and must be able to answer basic questions such as "Is the government effectively managing and safeguarding its assets?" Note disclosures should answer this question. However, the assertion that HA are safeguarded is a significant statement that implies management controls are operating effectively, and entities making this assertion should have a credible basis for doing so.

⁵⁰ SFFAS 29, par. 16 and par. 81.

99. Museum collections unlike other HA are curated in a special facility. The criteria for reporting museum collection condition information is based directly on the facility housing the museum collection itself, because the facility determines whether the collection, as a whole, is in stable condition. Numerous factors such as temperature, relative humidity, and dust and pest control are used to evaluate facilities to determine their ability to minimize any deterioration that could happen to its contents.⁵¹ Consequently, a museum collection housed in a facility meeting museum conservation professional standards may be properly viewed as being in “acceptable” condition. A museum collection housed in a sub-standard facility can be viewed as being in a state “requiring intervention.”

Rehabilitation of HA

100. Rehabilitation of a HA, to make possible a compatible use for that asset through repair, alterations, and additions while preserving those portions or features that convey its historic, cultural, or architectural values, may turn it into a multi-use heritage asset. Condition information would not be based on comparing the asset to its original, new state, nor to its state at the time it was first recorded or documented by archaeologists, but would rather be based on comparing the asset to its condition at the time it was originally rehabilitated. In this example, the rehabilitation work and resulting use in government operations moves the asset from the HA category to a multi-use HA category and as a result, it is reported as general PP&E. As such, the cost of the rehabilitation work would be capitalized and the property would be reported on the balance sheet with an appropriate value.
101. Some former HA have been recreated at the same site, and according to the same design using contemporary materials, as the original assets. Some of these recreations are not HA while some others have been determined to complement or add to the significance of the site and any condition information on the recreation may fall within the purview of general PP&E or HA depending upon its classification.

Stewardship Land

102. Based on guidelines and criteria established by agencies for assessing condition, a key to the evaluation of land is whether it is capable of fulfilling its primary use. For example, land condition could be considered acceptable when it is capable of supporting one or more of its authorized uses. On the other hand, land condition may be considered unacceptable when intervention is needed due to environmental contamination that will

⁵¹ This methodology is consistent with standard professional museum practice as recommended by museum conservators and museum associations.

cause humans or wildlife to be injured by virtue of their proximity to the contaminated land. Under such circumstances, readers would be referred to the environmental cleanup liability note in its financial statements for information as applicable.

103. The following discussion describes some of the relevant factors that exist as to why it is difficult to apply the concept of “condition”⁵² to the definition of land provided in the standard.⁵³
104. Land exists as a result of thousands, millions, or billions of years of events such as volcanoes, earthquakes, fire, floods, erosion, collisions with cosmic debris, and so on. These are all natural events that are both creative and destructive. They formed the land and may also cause its destruction. Agencies are not able to easily assess the durability, obsolescence, or quality of design and/or construction of land like agencies do for constructed assets.
105. Land is also not subject to factors, such as accidents, catastrophes, disasters, and obsolescence within the same context as constructed assets because the physical state of land endlessly changes based on the forces of nature. Some natural forces have immediate effects on the asset, others, take weeks, months, or years, and still others, such as climatic changes or major geological events can produce a very long term effect. The concepts of “performing as planned,” “continued usefulness” and “performance capability” are difficult to apply to land. Land does not perform, it exists, recycles, and changes form depending on forces of nature.
106. The following provide examples of why the effects of natural occurrences of nature on the land are unpredictable.
 - A lightning strike sparking a wildland fire would not have impact on the land itself but could devastate a plant community in a matter of minutes. However, that same fire could produce an invigorating effect on the plant community over the long term.
 - Yellowstone National Park was so designated, in part, because of its geologic activity. The underlying volcanism that makes the park unique by producing hot springs, geysers, etc., will likely cause an immense change in its landscape at some point in the future.
 - Under normal or average conditions, some soil erosion occurs due to flooding because of wind and water action on all land. In an event such as a flash flood, erosion occurs at an accelerated rate, even leaving the

⁵² SFFAS 29 par. 41, footnote 22.

⁵³ A solid part of the surface of the earth exclusive of depletable and renewable natural resources.

formation of gullies with unstable banks as vegetation cover is swept away in a flood. Heavy rains with a movement of water across a naturally barren landscape can lead to short-term undesirable effects. However, in the long term, gullies are stabilized by the vegetation that grows back and become the natural course for water to take in future years when rainfall occurs. These natural processes (erosion and stabilization) occur with or without human intervention and may not be "prevented" by any "condition" of the land.

- Drought is inevitable and has tremendous ecological and socioeconomic consequences. Both short-term and long-term droughts significantly impact natural resources and human lives. During short droughts, the lack of moisture typically causes reduced plant and animal productivity. Persistent droughts, characterized as several consecutive years with below average precipitation, are more infrequent but may be widespread and can result in significant economic and ecological stress and ecosystem alterations.
 - When short or long-term droughts subside and precipitation returns to normal or above normal levels, the vegetative resource can respond dramatically and the land can quickly return to its natural state. Various desirable (and sometimes undesirable seeds) that have been lying dormant in the soil for years will germinate and vegetative growth can be extensive. Such was the case in Arizona in 2005. After a 7-plus year drought, the rains came at the right time and native vegetation flourished; so much that during 2006 there were many fire hazards.
107. Agencies do not typically perform maintenance on land. Unlike constructed assets, land does not meet the definition/description of maintenance--the act of keeping fixed assets in acceptable condition. Maintenance includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve an asset so that it continues to provide acceptable services and achieves its expected life. The type of activity (maintenance) as described herein is not scheduled, performed, or deferred on land.
108. While condition is not easily applied to land, it can be readily applied to constructed changes to the land that require recurring maintenance, such as a constructed marsh specifically built to provide habitat. Another example is land that has been contaminated by the release of hazardous substances or land that has been used to store, treat, or dispose of hazardous wastes. This information should already be disclosed in the notes to the financial statements as environmental liabilities and could be referenced in the stewardship note.

Stewardship Land Examples

109. Example 1: An agency has a mission of conserving, protecting, and enhancing fish and wildlife and their habitats. Accordingly, the ability of the agency's land to provide integrated habitat and life support for permanent resident populations and for migratory populations might provide a criterion to evaluate its condition. For example, does the land support sufficient vegetation to provide habitat for native species or are coastal or other marshes sufficient to support migratory bird populations? The agency would evaluate its land against these criteria and the results of this evaluation may be that the condition of the land is sufficient to support the mission of the agency (i.e., the land provides integrated habitat and life support for permanent resident populations and for migratory populations) and such condition would be disclosed. If the agency had constructed habitat by changing the land and if that constructed habitat required recurring maintenance that either was or was not performed, then the condition of the constructed habitat could be disclosed.
110. Example 2: An agency manages a small portion of the land under federal ownership for which it is required to clean up contamination resulting from past waste disposal practices, leaks, spills, and other past activity, which have created a public health or environmental risk. The contaminated sites covering about 10% of the agency's SL have resulted from nuclear-powered aircraft carriers, submarines, and other nuclear ships or from the stockpile of lethal or incapacitating chemical warfare agents and munitions. These contaminated sites that make the surface of the earth uninhabitable by people would be listed in the environmental cleanup liability notes to the agency's financial statements. The SL condition disclosure could identify these areas and report their condition as unacceptable.
111. The condition of the agency's non-contaminated lands might be disclosed as sufficient to support the mission of the agency based on the agency evaluating this land in relation to its mission. If insufficient budgetary resources or other intervening factors prevented the mitigation of the environmental contamination, the agency would disclose this information (as applicable) in its environmental cleanup liability note to the financial statements and could reference that note in its stewardship note disclosure. The agency would also report the estimated cost of environmental cleanup as deferred maintenance in accordance with environmental liability standards.⁵⁴

⁵⁴ Standards for determining and reporting deferred maintenance are contained in SFFAS 6, which requires disclosures related to the condition and the estimated cost to remedy deferred maintenance of PP&E.

Section IV: Government-Wide Reporting

112. SFFAS 29 requires a balance sheet note reference and a note disclosure of HA/SL information in the U.S. Government-wide financial statement. The government-wide balance sheet should reference a note that discloses information about stewardship land and heritage assets, but no asset dollar amount should be shown. The note disclosure should include a brief statement explaining how HA/SL relates to the mission of the federal government; a description of its predominant uses; and a general reference to agency reports for additional information about HA/SL. The Government-wide financial statement should also 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.

Appendix A: Basis for Conclusions

- A1. The HA/SL taskforce that developed this technical release was comprised of over a dozen different entities, varying in size, with experts in the field who had significant responsibility for heritage assets and/or stewardship land. The taskforce approached this implementation guide project by addressing the specific areas in SFFAS 29 that focus on identification, categorization, quantification and condition of these assets. The taskforce believed that the most meaningful information to guide preparers was through examples of how entities currently or in the past have identified, categorized and quantified heritage assets and stewardship land, as well as how they assessed their condition.
- A2. This technical release provides a variety of examples that are representative of the many types of stewardship assets in existence. In addition, this technical release provides numerous ways to disclose heritage assets and stewardship land since SFFAS 29 allows entities considerable latitude and flexibility in achieving the objective of relevant and reliable information for users.
- A3. Typically standards or technical releases do not address materiality. The taskforce believes that since no dollar amounts are assigned to these assets and that traditional materiality judgments about financial information are primarily quantitative and focused on dollar amounts that materiality needed to be addressed. Thus, the taskforce provided an approach for considering materiality to give preparers implementation guidance in applying materiality to heritage assets and/or stewardship land.
- A4. As a result of the taskforce deliberations, it reached a consensus on the material presented in this technical release.
- A5. The exposure draft, *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*, was issued June 11, 2007 with comments requested by August 13, 2007. Four comment letters were received from the following sources:

	FEDERAL (Internal)	NON-FEDERAL (External)
Users, academics, others	0	1
Auditors	0	0
Preparers and financial managers	3	0

- A6. The Committee considered responses to the exposure draft at its September 27, 2007 AAPC meeting. The majority of the respondents agreed with the proposed guidance. Specific concerns were raised by several respondents related to developing supporting documentation when property records do not exist. The Committee believes there are number of ways to develop acceptable alternative documentation to support management's

Appendix A: Basis for Conclusions

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assertions of federal ownership of heritage assets and stewardship land. Par. 85 is revised to address these concerns. In addition, clarifying language was added to par. 45-46 to help preparers in determining whether land meets the criteria for general PP&E land, stewardship land, and land rights as defined in SFFAS 29. Also, the technical release has been revised to highlight that the examples used in assessing and reporting condition provide a broad range of acceptable methods consistent with the purposes and intent of SFFAS 29. Finally, clarifying edits, revisions, and helpful examples were added to address commentators concerns.

Appendix B: Excerpts from SFFAS 29 Heritage Assets and Stewardship Land

Statement of Federal Financial Accounting Standards
Heritage Assets and Stewardship Land

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 RSI². 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, a description of the methods of acquisition and withdrawal, and condition information.

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).

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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.

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 cost³ 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 devise⁴ 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

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 note⁸ 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 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 units¹⁰ of measure for each

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.

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

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 condition¹¹ of the heritage assets (which may be reported with the deferred maintenance information¹²) as required supplementary information. Entities should include a reference to the condition and deferred maintenance information¹³ 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 Disclosures¹⁴

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.

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

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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.

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 rights¹⁵ owned by the Federal Government but not acquired for or in connection with¹⁶ 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.

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:

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.

- 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 devise¹⁸ 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 note²¹ 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 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

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.

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 condition²² of the stewardship land (which may be reported with the deferred maintenance information²³) as required supplementary information. Entities should include a reference to the condition and deferred maintenance information²⁴ if reported elsewhere in the report containing the basic financial statements.

U.S. Government-wide Financial Statement Disclosures²⁵

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.

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.

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 (SFFAS 29)

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 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.

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.

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
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

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.

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

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 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

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

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

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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 it 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.

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."

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.
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.
103. In its discussion in SFFAS 3, the Board relied on the FASB’s concept as modified by certain concepts expressed in governmental auditing standards³⁶. 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.

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

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 C: Illustrative Disclosures

PLEASE NOTE: Appendix C illustrates Heritage Assets and Stewardship Land disclosures at the component entity level. These illustrative disclosures may only include selected portions of a full disclosure as required by SFFAS 29. These illustrations are considered non-authoritative guidance and are not required to be followed.

Footnote Disclosure

Heritage Assets:

Example 1: (Par. 25 a. and b. of SFFAS 29)

The Library of Congress classifies its collections as HA: assets with historical, cultural, educational, artistic or natural significance. Its mission is to maintain a universal collection and provide access for current and future generations. The Library's collection development policies are designed to fulfill its responsibilities to serve (1) the Congress and United States government as a whole, (2) the scholarly and library community, and (3) the general public. Written collection policy statements ensure that the Library makes every effort to possess all books and library materials necessary to the Congress and various offices of the United States government to perform their duties; a comprehensive record, in all formats, documenting the life and achievement of the American people; and a universal collection of human knowledge embodying primarily in print form the records of other societies, past and present.⁵⁵

Copyright deposits are a major source of the Library's collections of Americana. The Library also acquires materials by purchase, transfer from other federal agencies, gift, domestic and international exchange, or by provisions of state and federal law. Many of these materials are foreign publications. Various preservation methods are used to maintain the collections, and disposals occur only for the exchange and gift of unwanted or duplicate copies.

Stewardship Land:

Example 2: (Par. 40 a. - d. of SFFAS 29)

Agency X meets its mission by managing the lands and their various resources so that they are utilized in the combination that will best meet the needs as well as the enjoyment of both present and future generations of the American people. These resources include both natural and cultural HA of scenic, scientific, and historical value. The management of the lands and their associated HA are the essence of the Agency's mission.

⁵⁵ Clinical medicine and technical agriculture are the responsibilities of the National Library of Medicine and National Agricultural Library, respectively.

Appendix C: Illustrative Disclosures

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The agency has been entrusted with stewardship responsibility for the management of natural resources on and beneath America's SL as legislated through P.L. 94-579. Land use plans, developed with public involvement, are the mechanism by which use and levels of use are determined. The agency is required to develop, maintain, and, when appropriate, revise land use plans that divide the land into tracts or areas.

The agency's stewardship mission is to be environmentally responsible for commercial and non-commercial uses of the natural resources (depletable and renewable) associated with SL. P.L. 94-579 prescribes the uses that will be achieved or authorized on the land. The agency has 4 major categories of use: multiple; recreation; cultural, schools, and housing; and reclamation/irrigation. (The agency will provide a description of each major category of use in its note disclosure.)

1. Multiple use:
 - a. Grazing:
 - b. Wildlife:
 - c. Minerals:
 - d. Rights-of-Way:
 - e. Recreation:
 - f. Timber:
2. Recreation:
3. Cultural, Schools, and Housing:
4. Reclamation/Irrigation:

The agency reports its physical units of SL by management unit. The "management unit" jurisdictions represent the management level at which specific management plans are developed and implemented to manage the natural resources related to the land for both present and the future periods.

Agency A Stewardship Lands
as of September 30, 200X

Category of Use	200W Balance	200X Additions Note 1	200X Withdrawals Note 1	200X Net Change	200X Balance	Condition Note 2
Multiple Use	118	2	3	-1	117	Acceptable
Recreation	388				388	Acceptable
Cultural/Schools/ Housing	79	1		1	80	Acceptable
Reclamation/ Irrigation	221		1	-1	220	Acceptable
Total	806	3	4	-1	805	

Note 1: Describe the major methods of acquisition and withdrawal of SL during the reporting period.

Note 2: Describe what constitutes acceptable and unacceptable condition.

Appendix C: Illustrative Disclosures

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Example 3: American Battle Monuments Commission

Significant Accounting Policies (Par. 25 a.- d. of SFFAS 29)

Heritage Assets (could be combined with Property and Equipment note)

The Commission's stewardship policies are designed to be responsive to the overall mission of the Commission to design, construct, and maintain cemeteries and memorials. Heritage Assets are assets possessing significant cultural, architectural, or aesthetic characteristics. The Commission considers its cemeteries, federal memorials, monuments, and markers acquired through purchase or donation to be non-collection HA. HA are acquired through purchase or donation, are accounted for in the Commission's property records, and are not presented in the balance sheet. Withdrawals of HA are recorded upon formal agreement with recipients. Additional disclosure on individual heritage asset cemeteries and memorials are found in the Schedules of HA presented as unaudited supplementary information. Cemetery land is owned by the foreign countries in which cemeteries are located and is provided to the United States in perpetuity.

Heritage Assets

Heritage assets are significant to the mission of the Commission. The Commission presents its HA in three categories; cemeteries, federal memorials, and nonfederal memorials. Changes in HA for fiscal year 20XX were as follows:

	<u>Cemeteries</u>	<u>Federal Memorials</u>	<u>Non-Federal Memorials</u>
Beginning of Year 10-1-XX	24	25	4
Number Acquired, Fiscal Year XX	0	0	2
Number Withdrawn, Fiscal Year XX	<u>0</u>	<u>0</u>	<u>0</u>
End of Year 9-30-XX	24	25	6

The Commission assumed responsibilities for private memorials for the 147th Engineer Battalion and the 507th Parachute Infantry Regiment during fiscal year 20X2. Through September 30, 20X2, Commission cemeteries contain over 131,000 interments. Over 94,000 Honored War Dead, whose remains were not recovered, are memorialized in the cemeteries and federal memorials that encompass over 1,600 acres. This land is provided to the Commission through host agreements with foreign countries for permanent use as cemeteries and memorials.

Appendix C: Illustrative Disclosures

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Required Supplemental Information (RSI) Disclosure (Par. 26 of SFFAS 29)

The following illustrates sample disclosure of condition information for the American Battle Monuments Commission under SFFAS 29. Disclosure of condition information is also illustrated for the Library of Congress. However, agencies may develop and use other disclosures to fit their circumstances as deemed necessary.

Example 4: American Battle Monuments Commission

Condition assessment surveys, using a five-point scale of one (excellent) to five (very poor), identify needed future maintenance and repair projects at cemeteries and memorials in order to maintain real property and heritage assets in an acceptable condition of three (fair) or better. These surveys are reviewed and updated at least annually by the Commission's engineering staff. In addition, engineering projects identified improvements in cemetery irrigation, drainage, roads, parking areas, and buildings. As of September 30, 20XX, the Commission has identified a total of 333 maintenance, repair, and improvement projects, with an estimated cost of \$15.8 million, to be performed in future years, subject to available funding.

Example 5: Library of Congress

The Library of Congress has the world's largest library collection, including research materials in over 450 languages and various media. Providing access to this collection inevitably puts it at risk and could impair the Library's ability to serve the Congress and other users in the future. However, the collections exist to be used, and management accepts the responsibility of mitigating risk to the collections at the same time it fulfills its mission of service to the Congress and the nation. Therefore, the Library has chosen to balance the usage of the collection with the long-term preservation requirements of the collections.

As of September 30, 20XX, the collections were determined to be in a useable condition for fulfilling its service mission. During fiscal 20XX, only a very small percentage of materials were removed from the collection because of damage caused by use and/or deterioration of the medium. The ultimate useful life of a library item varies by its medium (e.g., book, film, tape, manuscript, disk), and the manner in which it is used and stored.

The Library employs a variety of methods to prolong the useful life of its deteriorating materials, including:

- The establishment of adequate environmental storage conditions
- The usage of binding or other methods to house items
- The mass deacidification of print materials
- The use of surrogates in serving the collections to the public
- The reformatting of collections to other media

The Library has inadequate temperature and humidity control in some collections storage areas; inadequate space for appropriate storage of collections materials; insufficient space for reformatting the acetate negative collection; and insufficient funds for reformatting. These

Appendix C: Illustrative Disclosures

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conditions cannot be fully addressed with current funds and physical plant. The move of collections into the storage facility at Fort Meade, Maryland, is serving to remedy many of these difficulties for books and paper-based materials, and the acquisition of the National Audio-Visual Conservation Center in Culpepper, Virginia, is a major step in the preservation of film and other media.

Appendix D: Glossary

Following are definitions of terms related to reporting and examining HA/SL. Most of these definitions are drawn from the Consolidated Glossary in Appendix E to *FASAB Volume 1 Original Statements: Statements of Federal Financial Accounting Concepts and Standards*. Definitions from other sources are specifically noted.

Collection-type heritage assets – a broad category of HA, typically consisting of objects, specimens, and other items that are gathered and maintained for public exhibition, education, or research. (Adapted from SFFAS 29, par. 15, and input from Smithsonian Institution officials).

Condition – 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 expectation of 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. (SFFAS 29, footnote 22)

Condition assessment surveys – are periodic inspections of PP&E to determine their current condition and estimated cost to correct any deficiencies.

Deferred maintenance – is maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period. (SFFAS 6, Glossary)

General PP&E land – land and land rights owned by the Federal government that are acquired for or in connection with items of General PP&E. (SFFAS 6, par. 25)

General property, plant, and equipment – any property, plant, and equipment used in providing goods or services. General PP&E typically has one or more of the following characteristics:

- it could be used for alternative purposes but is used to produce goods, or services, or to support the mission of the entity; or
 - it is used in business-type activities; or
 - it is used by entities in activities whose costs can be compared to those of other entities performing similar activities.
- (SFFAS 6, par. 23)

Heritage assets – property, plant, and equipment that are unique for one or more of the following reasons:

- historical or natural significance;
- cultural, educational, or artistic importance; or
- significant architectural characteristics.

(SFFAS 29, par.15)

Land – is the solid part of the surface of the earth. Excluded from the definition of land are the natural resources (depletable resources such as mineral deposits and petroleum, renewable resources such as timber, and the outer-continental shelf resources related to land). (SFFAS 29, par. 34)

Land rights – are interests and privileges held by an entity in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, rights-of-way, and other land interests in land. (SFFAS 29, footnote 15)

Materiality – “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.” (SFFAS 29, par. 103)

Multi-use heritage assets – are HA whose predominant use is general government operations. A heritage asset used to serve two purposes—a heritage function and general government operations—shall be considered a multi-use heritage asset if the predominant use of the asset is in general government operations. (SFFAS 29, par. 18)

Non-collection type heritage assets – assets such as parks, memorials, monuments, and buildings. (SFFAS 29, par. 15)

Property, plant, and equipment – consists of tangible assets, including land, that meet the following criteria:

- they have estimated useful lives of two years or more;
- they are not intended for sale in the ordinary course of operations; and
- they have been acquired or constructed with the intention of being used, or being available for use by the entity.

Property, plant, and equipment also includes:

- assets acquired through capital leases, including leasehold improvements;
- property owned by the reporting entity in the hands of others; and
- land rights.

Property, plant, and equipment excludes, items (1) held in anticipation of physical consumption such as operating materials and supplies, and (2) the Federal government has a reversionary interest in. (SFFAS 6, par. 17, 18, and 19)

Safeguarded – protected against waste, loss, and misuse; managed consistent with the asset’s intended use in accordance with Federal laws and regulations; and not materially degraded while under government care. (Originated in Section 3 of this guide, *Assessing and Reporting Condition*.)

Stewardship – is the Federal Government's responsibility for the general welfare of the nation in perpetuity. (SFFAC 1)

HA/SL – Heritage Assets (HA) and Stewardship Land (SL) is a term that collectively refers to the two categories of stewardship PP&E defined by SFFAS 29: HA and SL. HA/SL does not include any other stewardship items described in SFFAS 8 such as “stewardship investments” or “stewardship responsibilities.”

Stewardship land – land and land rights owned by the Federal government and not acquired for or in connection with other General PP&E. (SFFAS 29, par. 33)

Useful life – the normal operating life of an asset in terms of utility to the owner. (SFFAS 6, Appendix E, Glossary)

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