



August 16, 2017

## MEMORANDUM

To: Members of the Board

From: Domenic N. Savini, Assistant Director

Through: Wendy M. Payne, Executive Director

Subject: Draft (Proposal) Exposure Draft (ED) – **Tab F<sup>1</sup>**

### MEMBER ACTIONS REQUESTED:

- Provide staff with feedback and answers to the five questions summarized on page 10 by August 25th.
- Consider a draft proposal and open issues -- Attachment 1

## MEETING OBJECTIVE

The objective of this meeting is to consider a draft proposal (draft ED) prepared by staff and to discuss any remaining open issues prior to revising the draft ED.

## BRIEFING MATERIAL

- Staff Memo
- Attachment 1: draft Exposure Draft

## BACKGROUND

At the June 22, 2017 Board meeting, members reviewed a draft Exposure Draft and agreed with the staff recommendation that the Exposure Draft should highlight the two major proposed changes being considered: (a) reclassifying general property, plant, and equipment (G-PP&E) land as a non-capitalized asset with no dollar amounts reported on the balance sheet, and (b) requiring consistent and uniform disclosures and presentation of information for G-PP&E land and stewardship land (SL).

Pending the Board's due process procedures, four standards have been initially identified for amendments: SFFAS 6, *Accounting for Property, Plant, and Equipment*;

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<sup>1</sup> The Staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

## **BACKGROUND** (continued)

SFFAS 7, *Accounting for Revenue et al*; SFFAS 29, *Heritage Assets and Stewardship Land*; and SFFAS 32: *Consolidated Financial Report of the United States Government Requirements, et al*.

Additionally, guidance regarding stewardship land contained in Technical Release 9, *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land* has been identified for rescission. Please note that Technical Release 9 would still retain guidance relating to heritage assets.

Members also identified three additional matters, two of which were resolved during the meeting: (1) land-rights, (2) land-leases, and (3) the lack of a distinct definition for SL. During the meeting it was agreed that because land-rights are intangible assets, any open issues related to their treatment not addressed by SFFAS 6 should be excluded from the land project's scope.

Members agreed that leased land would be subject to the revised lease standard and that disclosures should be harmonized to the extent practical. Additionally, staff was asked to develop a definition for stewardship land.

Lastly, members asked that additional questions be added to the draft ED to include: (1) should the disclosures related to G-PP&E land and SL be combined into a single note disclosure, (2) do the three proposed predominant use sub-categories supersede the G-PP&E land and SL categories making them obsolete, and (3) asking preparers to identify the type of accounting guidance that could provide flexibility for supporting acreage disclosures.

Staff was tasked with developing a revised draft Exposure Draft document for further consideration.

## **NEXT STEPS**

Please note that: (1) the Basis for Conclusions is a work-in-progress and staff looks forward to refining it as deliberations continue and (2) the draft ED has been revised for the proposal to treat permanent land rights consistent with land (refer to Board Question 1).

When all content matters have been resolved and any remaining issues are expected to be primarily editorial, staff will request that members provide "final comments" so that a pre-ballot draft may be provided.

## **MEMBER FEEDBACK**

Please contact me as soon as possible to convey your questions or suggestions. Communication before the meeting will help make the meeting more productive. You can contact me by telephone at 202-512-6841 or by e-mail at [savinid@fasab.gov](mailto:savinid@fasab.gov) with a cc to [paynew@fasab.gov](mailto:paynew@fasab.gov)

Thank you and I look forward to our meeting.

## Questions for the Board

### 1. Background on Land-Rights

While the Board directed that land rights be excluded from this project, staff requests clarification. Because general PP&E land and land rights are addressed together in SFFAS 6, some edits related to land rights will be required.

Existing guidance allows for the recognition of land rights as part of general PP&E. Specifically, SFFAS 6, footnote 18 states,

*“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, and other like interests in land.*

SFFAS 6, footnote 42 states,

*“Land rights that are for a specified period of time shall be depreciated or amortized over that time period.”*

Please note that recent amendments to SFFAS 6 provide options for those entities establishing opening balances for the first time. The current standards for general PP&E land and land rights are summarized below.

**Table 1.0**  
**Current Standards for General PP&E Land and Land Rights**

Entity Types	Permanent Land Rights	Land Rights available for a specified time period
<b>Fully Compliant Entities</b>	Capitalized at the cost incurred to acquire the land right	Capitalized and amortized over their life
<b>Opening Balance Entities</b>	Option to use deemed cost or report no capitalized amount	Option to use deemed cost or report no capitalized amount (and no amortization)

**Note:** Stewardship land includes land and land rights, both of which are expensed.

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## 1. Background on Land-Rights (continued)

To assist members in providing clarity to staff concerning land rights, staff has identified the four following options which are available for consideration. Please note that staff recommends a hybrid approach presented immediately after the table analysis.

**Table 2.0**  
**Analysis of Options Concerning Land Rights**

#	Option	Description	Pros	Cons
1.	<b>Maintain Status Quo</b>  This proposal would not result in any change to current guidance. Entities will continue to capitalize G-PP&E land rights (and amortize non-permanent land rights). Other entities will establish opening balances as zero or at deemed cost.	By maintaining the status quo, G-PP&E land-rights will continue to be subject to the accounting and reporting requirements established in SFFAS 6 as amended to-date. However, for those electing an opening balance of zero, only those land rights that result in control of acres would be disclosed.	<ul style="list-style-type: none"> <li>• Avoid increasing agency burden via creation of additional guidance.</li> <li>• Maintains short-term staff and Board resources.</li> <li>• If any, existing land-rights which result in control of acres would gain prominence via disclosure.</li> </ul>	<ul style="list-style-type: none"> <li>• Inconsistent accounting policy regarding land-rights both within G-PPE land rights and with SL land rights.</li> <li>• Proposed disclosures do not reflect unique nature of land-rights.</li> <li>• Absent the reporting of land, recognized land rights lose context.</li> </ul>
2.	<b>Defer all Land-Rights to an Intangible Asset Project</b>  Although this proposal would not result in any immediate change to current guidance, it differs from Option 1 in that the Board would initiate a new intangibles project. Therefore, as with Option 1, some entities will capitalize land rights (and amortize	By deferring all land-rights to a separate Intangible Asset project, the current accounting and reporting for land-rights will not change in the near-term.	<ul style="list-style-type: none"> <li>• Postpone increasing agency burden until additional guidance is developed in an intangibles project.</li> <li>• Land-rights disclosures will improve via new intangibles guidance.</li> <li>• If any, existing land-rights</li> </ul>	<ul style="list-style-type: none"> <li>• Albeit temporary, inconsistent accounting policy as described above would exist.</li> <li>• Significant staff and Board resources incurred.</li> <li>• Proposed disclosures at Attachment 1 do not reflect</li> </ul>

#	Option	Description	Pros	Cons
	non-permanent land rights). Other entities will establish opening balances as zero or at deemed cost.		which result in control of acres would gain prominence via disclosure.	<p>unique nature of land-rights such as water and submersion rights.</p> <ul style="list-style-type: none"> <li>• Absent the reporting of land, recognized land rights lose context.</li> </ul>
3.	<p><b>Expense Permanent G-PP&amp;E Land Rights</b></p> <p>This proposal would clarify guidance relative to permanent land rights. As such, no dollar amount would be recognized on the balance sheet for these assets. However, disclosure of relevant non-financial information would be required.</p>	By expensing permanent G-PP&E land rights, the accounting and reporting of land rights that are similar to land will be consistently treated. The current accounting and reporting for other than permanent land rights (that is, fixed-term land-rights) will not change.	<ul style="list-style-type: none"> <li>• Consistent accounting policy regarding G-PP&amp;E land and permanent land rights.</li> <li>• Consistent accounting policy regarding G-PP&amp;E permanent land rights and SL land rights.</li> <li>• Except for permanent land rights, avoids increasing agency burden via creation of additional land rights guidance.</li> <li>• If any, existing land-rights which result in control of acres would gain prominence via disclosure.</li> </ul>	<ul style="list-style-type: none"> <li>• Inconsistent accounting policy regarding land versus land-rights other than permanent land rights remains.</li> <li>• Increases agency burden relative to the NFI disclosure of permanent land rights.</li> <li>• Disclosures for certain permanent land rights such as water and submersion rights will be required.</li> </ul>
4.	<p><b>Limit NFI Reporting to only Fixed-term Land-Rights. Expense all others</b></p> <p>This proposal would clarify that only fixed-term land-rights (that is, non-permanent land rights) are amortized</p>	By limiting the reporting to only fixed-term land-rights, G-PP&E land-rights that are indefinite (without a specified period of time; such as permanent land	<ul style="list-style-type: none"> <li>• Consistent accounting policy regarding amortization and depreciation of G-PP&amp;E; that is, matching principle.</li> </ul>	<ul style="list-style-type: none"> <li>• Inconsistent accounting policy regarding land-rights within the G-PPE land rights category.</li> <li>• Increases agency burden</li> </ul>

#	Option	Description	Pros	Cons
	and require NFI reporting.	rights), will be expensed as incurred.	<ul style="list-style-type: none"> <li>Maintains current agency reporting of non-permanent G-PP&amp;E land rights (that is, fixed-term land rights) that produce an expense.</li> </ul>	<ul style="list-style-type: none"> <li>relative to the accounting of fixed-term land-rights.</li> <li>All land-rights other than those with a fixed-term (that is, permanent land rights) which result in control of acres lose visibility via lack of disclosure.</li> </ul>

### Staff Recommendation:

- (a) treat permanent land rights consistent with proposed requirements for owned land by requiring that they be expensed and that NFI be disclosed,
- (b) capitalize and amortize land-rights with a fixed-term,
- (c) for a future project, identify potential NFI disclosures related to permanent water and water power rights, diversion rights, and submersion rights, which may be best expressed in non-acreage measurements. The future project would consider what NFI would be relevant to users.

### Question 1

**Does the Board agree with the staff recommendation to (a) treat permanent land rights consistent with proposed requirements for owned land, (b) capitalize and amortize land-rights with a fixed-term, and (c) for a future project, identify potential NFI disclosures for other permanent land-rights such as water and submersion rights? If not, which option do members prefer? Are there any other options that staff should consider?**

## **2. Draft Definitions**

At the Board's request, staff has prepared draft definitions which can be found at Attachment 1, Appendix D Glossary beginning on 50 for the following terms:

- (a) Stewardship Land: amending SFFAS 29, par. 33 and footnote 16.
- (b) The three sub-categories reflecting the predominant use of land:
  - i. Commercial Use
  - ii. Conservation and Preservation
  - iii. Operational
- (c) Acres of Land Held for Disposal or Exchange

### **Question 2**

**Does the Board agree with the proposed draft definitions for (a) Stewardship Land, (b) the three sub-categories reflecting the predominant use of land, and (c) acres of land held for disposal or exchange? If not, please explain why and note what changes or revisions you would suggest.**

**Please refer to Attachment 1, Appendix D.**

## **3. Draft Amendments**

Please note that the draft ED at Attachment 1 incorporates: (1) suggested edits by individual members via email prior to the June meeting, (2) Board table changes noted by members at the June meeting, and (3) staff edits. The proposed amendments are intended to achieve the following desired outcomes:

- (a) SFFAS 6 - removing the requirement to report general property, plant, and equipment (G-PP&E) land and permanent land rights<sup>2</sup> on the statement of financial position and clarifying recognition for land and land Rights,

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<sup>2</sup> Treating permanent land rights consistent with the proposed requirements for owned land is contingent on the Board either agreeing with (1) Option 3 as reflected in Table 1.0 or (2) the staff recommendation, pages 5 and 6, respectively.

- (b) SFFAS 6 and SFFAS 29 - clarifying the categorization and reporting of land use,
- (c) SFFAS 6 and SFFAS 29 - requiring broad acreage disclosure,
- (d) SFFAS 6 and SFFAS 29 - requiring disclosure of acreage held-for-disposal or exchange,
- (e) SFFAS 7 – conforming requirements relating to land transfers and donations to the amendments, and
- (f) SFFAS 32 – conforming amendments for entity-wide disclosure requirements.

### **Question 3**

**Does the Board agree with the proposed amendments to the following four SFFAS' identified by staff? If not, please explain why and note what changes or revisions you would suggest.**

**Please refer to Attachment 1 for details.**

#### **4. Draft Questions for Respondents**

At the June meeting members reviewed the proposed questions for respondents and specifically noted that respondents should be asked whether:

- (a) proposed definitions are adequate,
- (b) disclosures related to G-PP&E land and SL should be combined into a single note disclosure,
- (c) the three proposed predominant use sub-categories should supersede the G-PP&E land and SL categories making them in essence obsolete,
- (d) asking preparers to identify the type of accounting guidance that could provide flexibility for supporting acreage disclosures.

### **Question 4**

**Does the Board agree with the proposed draft questions for respondents included at Attachment 1? If not, please explain why and note what changes, revisions or additional questions you would like to include.**

**Please refer to Attachment 1 for details.**



**5. Staff requests that members identify any remaining open issues that may require further analysis or discussion.**

Members have previously noted (1) the importance of knowing how many acres an agency holds for the benefit of future generations, (2) that acreage information seems to be the common denominator needed by most, if not all, users, (3) that the presentation of unit information alone has limited value, and (4) that some level of audit assurance is needed.

Concerning overall user needs, specifically those of Congress, staff conducted a non-statistical survey wherein congressional support personnel noted their use of the following data-points for decision making purposes: broad acreage, predominant use, unit count, and revenue generating land. Academics and business consultants expressed almost identical information needs.

Concerning the role of cost (land valuation) information and its relative importance to users, the above survey revealed that 86% of users do not believe that the historical/acquisition cost approach is relevant or important in their decision making. The 14% of users who do believe this information is relevant comprise program managers, business consultants, and Congressional support personnel.

**Question 5**

**Do members believe that there are any remaining open issues that may require further analysis or discussion? If so, please provide your rationale.**

## **SUMMARY OF QUESTIONS FOR THE BOARD**

- 1. Does the Board agree with the staff recommendation to:**
  - a. treat permanent land rights consistent with proposed requirements for owned land,**
  - b. capitalize and amortize land-rights with a fixed-term, and**
  - c. for a future project, identify potential NFI disclosures for other permanent land-rights such as water and submersion rights?**

**If not, which option do members prefer?**

**Are there any other options that staff should consider?**

- 2. Does the Board agree with the proposed draft definitions for (a) Stewardship Land, (b) the three sub-categories reflecting the predominant use of land, and (c) acres of land held for disposal or exchange? If not, please explain why and note what changes or revisions you would suggest.**

**Please refer to Attachment 1, Appendix D Glossary.**

- 3. Does the Board agree with the proposed amendments to the following four SFFAS' identified by staff? If not, please explain why and note what changes or revisions you would suggest.**

**Please refer to Attachment 1 for details.**

- 4. Does the Board agree with the proposed draft questions for respondents included at Attachment 1? If not, please explain why and note what changes, revisions or additional questions you would like to include.**

**Please refer to Attachment 1 for details.**

- 5. Do members believe that there are any remaining open issues that may require further analysis or discussion? If so, please provide your rationale.**

# ATTACHMENT 1



Federal Accounting Standards Advisory Board

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# ACCOUNTING AND REPORTING OF GOVERNMENT LAND

**Statement of Federal Financial Accounting Standards**

**Exposure Draft**

Written comments are requested by [90-days from issuance].

ISSUE DATE

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## THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. The proposed standards are published in an Exposure Draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure draft is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

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

- [“Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board.”](#)
- [“Mission Statement: Federal Accounting Standards Advisory Board”](#), [exposure drafts](#), [Statements of Federal Financial Accounting Standards and Concepts](#), [FASAB newsletters](#), and other items of interest are posted on FASAB’s website at: [www.fasab.gov](http://www.fasab.gov).

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## Federal Accounting Standards Advisory Board

### ISSUE DATE

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards, entitled *Accounting and Reporting of Government Land*, are requested. Specific questions for your consideration appear on page 8 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by February 28, 2018.

All comments received by the FASAB are considered public information. Those comments may be posted to the FASAB's website and will be included in the project's public record.

Mail delivery is delayed by screening procedures. Therefore, please provide your comments in electronic form by e-mail to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to e-mail your responses, we encourage you to fax the comments to (202) 512-7366. Alternatively, you may mail your comments to:

Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mailstop 6H19  
441 G Street, NW, Suite 6814  
Washington, DC 20548

We will confirm receipt of your comments. If you do not receive confirmation, please contact our office at 202.512.7350 to determine if your comments were received.

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft.

Notice of the date and location of any public hearing on this document will be published in the Federal Register and in the FASAB's newsletter.

Sincerely,

D. Scott Showalter  
Chairman

## EXECUTIVE SUMMARY

### WHAT IS THE BOARD PROPOSING?

To ensure consistent accounting treatment and reporting for land holdings while considering user information needs, the Board is proposing to (1) reclassify general property, plant and equipment (G-PP&E) land as a non-capitalized asset, (2) clarify the definition for the Stewardship Land (SL) category, (3) require the reporting of G-PP&E land and SL using three predominant use sub-categories: Conservation and Preservation; ~~Military, Scientific, Nuclear, and Other Operational~~; and Commercial Use; and (4) require consistent and uniform disclosures of information for all land (that is, reporting acreage, physical quantity information, acres of land held-for-disposal or exchange, and predominant land use).

Existing accounting standards provide for measurement, ~~and~~ recognition and reporting of G-PP&E land<sup>1</sup> and the reporting of SL<sup>2</sup> predicated on the intent at the time of acquisition which does not necessarily reflect how the land was predominantly used during the reporting period.

However, As a result of this difference between intent at acquisition and actual land use practices and in connections with other issues, implementation has resulted in significant differences in accounting for land. Specifically, SFFAS 6, as amended, requires that land and land rights acquired for or in connection with other G-PP&E be capitalized at the cost incurred to bring the land to a form and condition suitable for use. Some land used in connection with G-PP&E was not acquired for that purpose. Instead it was acquired as public land and subsequently transferred to reporting entities for use in connection with G-PP&E. Therefore, not all land used in connection with G-PP&E has been capitalized. In addition, recent amendments to SFFAS 6 allow ~~departments~~ reporting entities adopting generally accepted accounting principles SFFAS 6 for the first-time to elect to exclude land and land rights from G-PP&E opening balances. These Reporting entities making the election would disclose acreage information.

For stewardship land, SFFAS 29 requires disclosures regarding policies for managing land, categories of land, and physical quantity information. Reporting entities select the physical quantity information to be reported. The ability to select the physical quantity information to report impairs the comparability of information.

The ~~Such~~ different reporting requirements and options ~~ees have~~ raised several concerns regarding whether ~~regarding the various approaches to reporting on land:~~ (1) reporting objectives are met, (2) qualitative characteristics such as relevance ~~completeness~~ and comparability are met, and (3) non-financial measures (such as acreage) would better meet reporting objectives and qualitative characteristics.

To address these concerns, the Board is proposing ~~believes that SL and G-PP&E land should follow~~ a consistent accounting and reporting approach that provides relevant and comparable non-financial information.

**Comment [DS1]:** 31 July – Task Force Review. Change the Military category to “Operational.” This accomplishes 2 things: (1) it broadens the application of the types of land that should fit in this bucket and (2) similar to the C&P category that closely resembles SL, this will resemble G-PP&E land.

**Comment [DS2]:** 14 August – Editor notes: We should treat acres/acreage the same way that the Chicago Manual treats the words percent/percentage.

- If there is a number in front of the word, use acres. Or to say “number of acres”
- If there is no number and the word is a standalone noun, use acreage.

Should members have any suggestions, please advise staff.

Conforming edits will be made in the next revised draft ED.

**Comment [DS3]:** Per S. Showalter 17 June email. Beyond departments?

Staff: Concur. Please see suggested replacement. “entities”

**Comment [DS4]:** Per P. McNamee 17 June email. Eliminate “completeness” as it is not in SFFAC 1.

Staff: Thank you. Good catch.

<sup>1</sup> SFFAS 6: *Accounting for Property Plant and Equipment*; effective for periods beginning after September 30, 1997.

<sup>2</sup> SFFAS 29: *Heritage Assets and Stewardship Land*; full implementation became effective for periods beginning after September 30, 2008.

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3 HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL  
4 REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL  
5 REPORTING OBJECTIVES?

6 | The proposed Reporting of land would enables the government to demonstrate accountability  
7 to citizens for G-PP&E land and SL.

8 Of the four objectives outlined in Statement of Federal Financial Accounting Concepts (SFFAC)  
9 1, *Objectives of Federal Financial Reporting*, the operating performance and stewardship  
10 objectives are identified as being most important for land reporting.<sup>3</sup> Land reporting is important  
11 to meeting these objectives because the federal government is accountable to citizens for the  
12 proper administration of its resources. Because federal land is held on behalf of the American  
13 people and some argue “priceless”, it is likely one of the most “valuable” assets the government  
14 possesses. Accordingly, land should be adequately disclosed in order to assist report users in  
15 determining: (a) how much land is managed, (b) how land is being predominantly used, and (c)  
16 how much land is the identification of the amount of land that is eligible held for disposal or  
17 exchange. Such disclosures help readers determine the efficiency and effectiveness of the  
18 government's management over land.

**Comment [DS5]:** Per P. McNamee 19 June email. For the operating performance objective below, I think we can only point to management of the entity's assets that this standard would support. Should we be more specific?

Staff: See suggested edit.

### Operating Performance Objective

Federal financial reporting should assist report users in evaluating the service efforts, costs, and accomplishments of the reporting entity; the manner in which these efforts and accomplishments have been financed; and the management of the entity's assets and liabilities. Federal financial reporting should provide information that helps the reader to determine:

- the costs of providing specific programs and activities and the composition of, and changes in, these costs;
- the efforts and accomplishments associated with federal programs and the changes over time and in relation to costs; and
- the efficiency and effectiveness of the government's management of its assets and liabilities.

Source: SFFAC 1

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<sup>3</sup> SFFAC 1, *Objectives of Federal Financial Reporting*, September 2, 1993.



## Stewardship Objective

Federal financial reporting should assist report users in assessing the impact on the country of the government's operations and investments for the period and how, as a result, the government's and the nation's financial conditions have changed and may change in the future.

Federal financial reporting should provide information that helps the reader to determine whether:

- the government's financial position improved or deteriorated over the period,
- future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due, and
- government operations have contributed to the nation's current and future well-being.

Source: SFFAC 1

The benefits of this proposal include but are not limited to:  
a. Developing guidance that can be consistently applied and used by federal reporting entities.  
b. Improving comparability of information among reporting entities.  
c. Disclosing information helpful in assessing how government operations have contributed to the nation's current and future well-being, meeting the reporting objectives and qualitative characteristics.

**Comment [DS6]:** Per P. McNamee 19 June email. For the stewardship objective above, I think this ED addresses the highlighted portions, particularly if we take into account disclosures on deferred maintenance, which I assume will apply to land. Should we be more specific?

Staff: Per Executive Director 7 August review, "These points were made well in the first paragraphs. Ending with the boxes will make it easier for the reader."

**Comment [DS7]:** Per P. McNamee 19 June email. Are a and b redundant?

Staff: No. Item a. discusses that our guidance to entities will no longer be a "hodge-podge" per se and as such, along with additional definitional clarity, will be easier and more consistently applied; reducing burden. Item b. points to the output side of this equation. That is, clarifying guidance (Item a) should also lead to greater comparability which is a separate and distinct outcome.

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## QUESTIONS FOR RESPONDENTS

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The Board encourages you to become familiar with all proposals in the Statement before responding to the questions in this section. In addition to the questions below, the Board also welcomes your comments on other aspects of the proposed Statement. Because the proposals may be modified before a final Statement is issued, it is important that you comment on proposals that you favor as well as any that you do not favor. Comments that include the reasons for your views will be especially appreciated.

The Board believes that this proposal would improve federal financial reporting and contribute to meeting the Federal financial reporting objectives. The Board has considered the perceived costs associated with this proposal. In responding, please consider the expected benefits and perceived costs and communicate any concerns that you may have in regard to implementing this proposal.

The questions in this section are available in a Word file for your use at [www.fasab.gov/exposure.html](http://www.fasab.gov/exposure.html).

Your responses should be sent by e-mail to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to respond by e-mail, please fax your responses to (202) 512-7366. Alternatively, you may mail your responses to:

Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mailstop 6H19  
441 G Street, NW, Suite 6814  
Washington, DC 20548

All responses are requested by [90-days from issuance].

Q1. The Board proposes reclassifying **gGeneral** PP&E land as a non-capitalized asset with no dollar amounts reported on the balance sheet. For a detailed discussion and related explanation refer to paragraphs A10 through A21 in Appendix A; Basis for Conclusions. For the proposed revisions/amendments, refer to paragraphs 8 through Error!  
**Reference source not found..**

**Do you agree or disagree with the Board's decision to reclassify **gGeneral** PP&E land as a non-capitalized asset with no dollar amounts reported on the balance sheet? Please provide the rationale for your answer.**

Q2. To clarify the existing definition of Stewardship Land (SL), the Board proposes amending the current definition including footnote 16 as shown below. For a detailed discussion and related explanation refer to paragraphs A45 and A46 in Appendix A; Basis for Conclusions. For the proposed revisions/amendments, refer to paragraph 10.

Stewardship Land is includes both public domain and acquired lands and land rights<sup>15</sup> owned by the Federal Government intended to be held indefinitely. -but not acquired for or in connection with<sup>16</sup> items of general property, plant, and equipment PP&E. Examples of stewardship land include land reserved, managed, planned, used or acquired for<sup>16</sup>; as forests and parks, and land used for wildlife and grazing.

1. forests and parks,
2. recreation and conservation,
3. wildlife habitat and grazing,
4. historic landmarks and/or to preserve pre-historic and historic structures (those listed on or eligible for listing on the National Register of Historic Places),
5. multiple purposes to include revenue generation (for example, special use permits, mineral development activities and timber production),
6. buffer zones for security, flood management , and noise and view sheds.

**FN15** - 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.

**FN16** - "Used or Acquired for or in connection with" is defined as including (1) public land or acquired land used acquired with the intent to construct general PP&E and (2) 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. Land used or acquired for in connection with items of general PP&E but meeting the definition of stewardship land should be classified as stewardship land unless such land is not distinct or clearly identifiable. In such cases, classification as general PP&E would be appropriate.

**Comment [DS8]:** Per S. Showalter email dated 17 June. Seems better to reference paragraphs similar to discussion and related explanation.

Staff: Concur. I'll identify the paragraphs for each question once we are through discussing issues that impact the BFC and finalize the questions members desire asking.

Please consider current references as place-holders.

**Comment [DS9]:** Per 22 June meeting. Staff was asked to (better) define the SL definition. As a result, staff took SFFAS 29, par. 33 and in connection with a Task Force review, offers the following suggested edits.

**Comment [DS10]:** 31 July – all highlighted edits as a result of task Force review; Forest Service, Interior, and DoD provided input

1 **Do you agree or disagree with the Board's decision to amend the existing**  
2 **definition of Stewardship Land (SL) including footnote 16 as shown above?**  
3 **Please provide the rationale for your answer.**

4  
5 Q3. To clarify existing requirements concerning the categorization and reporting of  
6 land, the Board proposes that consistent with the categories established by SFFAS 6,  
7 *Accounting for Property, Plant, and Equipment*; G-PP&E and SL, that each be reported  
8 in three sub-categories based on predominant use: Conservation and Preservation;  
9 ~~Military, Scientific, Nuclear and Other Operational~~; and Commercial Use. For a detailed  
10 discussion and related explanation refer to paragraphs A22 through A25, A34 through  
11 A37, and A49 through A51 in Appendix A; Basis for Conclusions. For an illustration of  
12 the three sub-categories, refer to Appendix B. For the proposed revisions/amendments,  
13 refer to paragraphs 10 (G-PP&E) and 11b (SL).

14  
15 a. **Do you agree or disagree that land should continue to be separately reported**  
16 **pursuant to the SFFAS 6 categories of G-PP&E and SL? Please provide the**  
17 **rationale for your answer.**

**Comment [DS11]:** Per 22 June meeting.

18 b. **Do you believe that predominant use reporting should supersede and**  
19 **eliminate the G-PP&E and SL categories which require reporting based on**  
20 **initial intent at acquisition? Please provide the rationale for your answer.**

**Comment [DS12]:** Per 22 June meeting.

21  
22 c. **If you do not agree that land should continue to be reported pursuant to the**  
23 **SFFAS 6 categories of G-PP&E and SL, do you agree that the disclosures for**  
24 **G-PPE and SL should be combined into a single category so that there is and**  
25 **resultant a single note disclosure? Please provide the rationale for your**  
26 **answer.**

**Comment [DS13]:** Per 22 June meeting.

27 d. **Do you agree or disagree that the three proposed sub-categories as defined in**  
28 **the glossary, predicated on predominant use would help clarify the existing**  
29 **requirements concerning the categorization and reporting of land? Please**  
30 **provide the rationale for your answer.**

**Comment [DS14]:** Staff edit 3 June.

31  
32 Q4. The Board believes that ~~acreage and the number of~~ acres of land ~~eligible~~ held for  
33 disposal or exchange should be included as additional specific disclosures. For a  
34 detailed discussion and related explanation refer to paragraphs A27(ii), A32(c) and 0  
35 through A48 in Appendix A; Basis for Conclusions. For the proposed  
36 revisions/amendments, refer to 11, 14 and 15.

**Comment [DS15]:** Staff 31 July – held for disposal is a much higher bar than eligible for disposal. Land is held for disposal only after meeting specific legislative requirements. As such, adopting "held" as opposed to "eligible" should significantly mitigate preparer burden while still meeting user needs.

37 **Do you agree or disagree with the Board's position that ~~acreage and and the~~**  
38 **~~number of acres~~ of land ~~eligible~~ held for disposal or exchange should be included**  
39 **as additional specific disclosures? Please provide the rationale for your answer.**

**Comment [WP16]:** I know I asked this before but I'm still perplexed by the use of acreage and acres. Acreage means - extent or area in acres; acres collectively. This seems redundant...

40  
41 Q5. To assist preparers in identifying acres of land held-for-disposal or exchange, the  
42 Board proposes the following definition shown below. For a detailed discussion and  
43 related explanation refer to paragraph A48 in Appendix A; Basis for Conclusions. For the  
44 proposed revisions/amendments, refer to paragraphs **Error! Reference source not**  
45 **found., Error! Reference source not found.** and 13.

~~For purposes of this standard Statement, IL~~ and (acres) is considered held-for-disposal or exchange when the entity has satisfied the legislative disposal authority requirements specific to the land in question. Disposal includes conveyances of federal land not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof. FN

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

**Do you agree or disagree with the Board's decision to include the definition of acres of land held-for-disposal or exchange including a footnote as shown above? Please provide the rationale for your answer.**

Q6. The Board proposes rescinding guidance specific to SL contained within Technical Release 9: *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*. For a detailed discussion and related explanation refer to paragraph A38 in Appendix A; Basis for Conclusions. For the proposed revisions/amendments, refer to paragraph 15 (SL).

**Do you agree or disagree with the Board's decision to rescind guidance specific to SL contained within Technical Release 9? Please provide the rationale for your answer.**

Q7. The Board proposes that entities report this additional information (that is, requirements to categorize land in three sub-categories based on predominant use, ~~acreage and~~ acres of land ~~eligible~~ held for disposal or exchange) as a Note disclosure. For a detailed discussion and related explanation refer to paragraphs A31 through A33 in Appendix A; Basis for Conclusions. For an illustration of the three categories, refer to Appendix B. For the proposed revisions/amendments, refer to paragraphs 10 and **Error! Reference source not found.** (G-PP&E), 11 and **Error! Reference source not found.** (SL), and 13 (CFR).

a. **Do you agree or disagree that this additional information should be presented as basic information via ~~Note~~ disclosure? Please provide the rationale for your answer.**

b. **If you disagree that this additional information should be presented as basic information via disclosure, please suggest other alternatives that the Board should consider. Please provide the -accompanied by your rationale for your alternative(s).**

**Comment [DS17]:** Per 22 June meeting.

Q8. The Board has continually noted the fundamental problems associated with providing corroborating documentation to auditors on historical (for example, heritage) assets ~~to~~ including inge land. To that end, Technical Release 9: *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*,

addresses this difficulty. For a detailed discussion and related explanation refer to paragraphs A43 and A44 in Appendix A; Basis for Conclusions.

a. If any, what type of accounting guidance should be provided that provides flexibility for supporting acreage disclosures? Please provide the rationale for your answer.

Comment [DS18]: Per 22 June meeting.

b. Should the list of examples of the supporting documentation contained at Paragraph 85 in Technical Release 9, be changed or expanded specific to land? Please provide the rationale for your answer.

c. Would incorporating any of the guidance contained in Technical Release 9 into the proposed accounting standards facilitate the attestation process? Please provide the rationale for your answer.

Comment [DS19]: 11 July staff edit.

Q9. The Board encourages respondents to not only provide input concerning any and all aspects of the proposed changes, including whether concepts are sufficiently clear and the proposed effective date, but also other matters which may not have been specifically addressed in this exposure draft. In addition, the basis for conclusions explains the Board's goals for this project (see comments beginning at paragraph A1) and also discusses other issues raised by task force members as well as experts and practitioners both within and external to government (as an example, see paragraphs A10 through A17).

Please provide any comments or suggestions you have regarding the goals for this project, other issues identified in the basis for conclusions, or areas which have not been addressed.

## INTRODUCTION

### PURPOSE

1. The purpose of this Statement is to ensure consistent accounting treatment and reporting for land holdings by proposing to (1) reclassify general property, plant and equipment (G-PP&E) land as a non-capitalized asset; (2) clarify the definition for the **Stewardship Land (SL)**<sup>4</sup> category; (3) require the reporting of G-PP&E and SL using three predominant use sub-categories: **Conservation and Preservation**; **Operational**; and **Commercial Use**; (4) require consistent and uniform disclosures of information for all land (that is, reporting acreage, physical quantity information, **acres of land held-for-disposal or exchange**, and predominant land use).
2. Consistent measurement and recognition practices can be expected to reduce accounting and reporting differences especially given that all land is a non-depreciable asset regardless of its purpose or use. Implementation of existing standards guidance over federal land has resulted in significant differences in the accounting and reporting treatment for federal land holdings. Specifically, SFFAS 6, *Accounting for Property, Plant, and Equipment*, requires that land and land rights acquired for or in connection with other G-PP&E be capitalized on the balance sheet whereas SFFAS 29, *Heritage Assets and Stewardship Land*, requires ~~the acquisition cost of~~ SL to be reflected on the balance sheet at no cost but recognized on the statement of net cost for the period in which the cost is incurred. As a result, recognition and measurement of federal land holdings are not consistent.
3. Clarifying the SL definition and requiring the use of three predominant use sub-categories can be expected to reduce accounting and reporting differences and reduce preparer burden while benefiting users. For example, existing accounting standards provide for measurement, recognition and reporting classification of G-PP&E land and the reporting of SL predicated based on the intent at the time of acquisition which does not necessarily reflect how the land was predominantly used during the reporting period. Additionally, implementation differences and in some cases preparer difficulties have arisen due to the definitions contained in existing guidance. SFFAS 6 states that “*Land and land rights acquired for or in connection with other general PP&E shall be included in general PP&E.*” “*Acquired for or in connection with other general PP&E*” is defined as 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. Concerning SL, SFFAS 29 defines stewardship land as, “*...land and land rights owned by the Federal Government but not acquired for or in connection with items of general PP&E. Examples of stewardship land include land used as forests and parks, and land used for wildlife and grazing.*” As a result, differences exist for example due to (1) the current use of a land holding is sometimes different from the initial intent at the time of acquisition and (2) inconsistent treatment of withdrawn public land placed into operations.

**Comment [DS20]:** Per M. Granof 12 June email. Would it not be clearer to issue a statement that explicitly makes that point (and, as we conventionally do, include in the statement itself or an appendix all the required amendments to the prior statements.

Staff: June’s draft excluded an Introduction section. Please see this new language and advise accordingly. Thank you.

<sup>4</sup> Terms defined in the Glossary are shown in **bold-face** the first time they appear.



4. Comparability among entity disclosures can be expected to benefit users of ~~federal~~ land information. SFFAS 6 disclosure requirements associated with G-PP&E land include ~~accounting for disclosing~~ deferred maintenance and repairs as well as environmental cleanup costs. ~~In contrast, whereas SFFAS 29 disclosure requirements associated with SL~~ requires that entities ~~reference a note on the balance sheet that~~ discloses information ~~about SL to include~~ing the entity stewardship policies and an explanation of how stewardship land relates to the mission of the entity, a description of major categories, physical unit information for the end of the reporting period, physical units added and withdrawn during the year, and a description of the methods of acquisition and withdrawal. As a result, disclosures are not comparable ~~between G-PP&E land and SL as well as among reporting entities.~~

## MATERIALITY

5. The provisions of this Statement need not be applied to immaterial items. The determination of whether an item is material depends on the degree to which omitting or misstating information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

## PROPOSED STANDARDS

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### SCOPE

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6. This Statement applies to federal entities that present general purpose federal financial reports, including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles, as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles*, including the Application of Standards Issued by the Financial Accounting Standards Board.
7. This Statement revises:
- a. SFFAS 6, *Accounting for Property, Plant, and Equipment*.
  - b. SFFAS 29, *Heritage Assets and Stewardship Land*.
  - c. Conforming amendments to SFFAS 32, *Consolidated Financial Report of the United States Government Requirements: et al.*
  - d. Conforming amendments to SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.
  - e. Rescinding selected guidance -contained within Technical Release 9: *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*.

## AMENDMENTS TO SFFAS 6, ACCOUNTING FOR PROPERTY, PLANT, AND EQUIPMENT

8. This paragraph amends SFFAS 6 to clarify land and permanent land rights ~~are to remain to be included~~ in the G-PP&E category ~~but are not to be capitalized or reported for balance sheet display~~.

a. Paragraph 25 is amended and footnote 29 rescinded as follows:

Land and permanent land rights ~~(land rights of unlimited duration)~~ acquired for or in connection with other general PP&E<sup>29</sup> ~~shall be included in~~ are considered general PP&E for purposes of disclosure but will not be capitalized on the balance sheet. General PP&E land should have one or more of the characteristics identified in paragraph 23. General PP&E land shall exclude (1) any withdrawn public lands or (2) land restricted for conservation, preservation, historical or other like restrictions. Such land would remain categorized as stewardship land, unless the reporting entity made the election to implement the provisions of paragraph 40.f.i.. In some instance, general PP&E may be built on existing Federal lands. In this case, the land cost would often not be identifiable. In these instances, general PP&E shall include only land and land rights with an identifiable cost that was specifically acquired for or in connection with construction of general PP&E.

FN 29 - <sup>29</sup>~~Acquired for or in connection with other general PP&E" is defined as 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.~~

b. Footnote 46 which provides examples of major classes of assets is amended as follows:

"Major classes" of general PP&E shall be determined by the entity. Examples of major classes include buildings and structures, furniture and fixtures, equipment, and vehicles, ~~and land~~.

9. This paragraph amends SFFAS 6 to change asset and expense recognition for land and land rights.

a. Revise paragraph 26 as follows:

26. ~~All~~General PP&E other than land and permanent land rights, excluding land and land rights, shall be recognized as an asset on the balance sheet and recorded at cost. Although the measurement basis for valuing general PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of general PP&E, in accordance with the asset recognition and measurement provisions herein. Cost shall

**Comment [DS21]:** Per S. Showalter 17 June email.

We show the amended paragraphs without describing the changes. It seems to me we need to explain the changes in the standards section first then show how the existing standards will be changed.

Staff: June's draft excluded an Introduction section. Please see the added section and new language and advise accordingly.

We typically keep explanations to the wording changes (amendments) succinct preferring to allow other sections of the ED (such as the BFC) to explain in much greater detail the rationale behind the changes. Please let me know what you think.

**Comment [DS22]:** Staff edit 7 July.

Pursuant to Messrs. Granof and Showalter comments above in DS18 and DS19, respectively. I wanted to clarify that we are proposing not doing away with the G-PP&E category (pending deliberations/due process) and that costs are not to be balance-sheeted.

**Comment [DS23]:** Per P. McNamee 19 June email. Add "is". However, S. Showalter 17 June email suggests "are."

Staff: In consultation with our Editor, staff recommends "are."

**Comment [DS24]:** 9 August Staff note. DoD first raised concerns over lack of clarity in G-PP&E and SL definitions that resulted in a mixed-bag of reporting. For example, some installations included SL buffer zones as G-PP&E whereas others did not. This sentence is meant to increase clarity. DoD email (BC) dated 28 July. 2017.

**Comment [DS25]:** Editor on 14 August. Maintain the style of the Statement being amended, even if the rule is no longer in practice; shall instead of should.

**Comment [DS26]:** 12 July staff edit.

This original wording still holds true; we want land recorded at cost but not recognized on the balance sheet. Please see suggested edit.

1 include all costs incurred to bring the PP&E to a form and location suitable for its  
2 intended use. For example, the cost of acquiring property, plant, and equipment may  
3 include: [no changes to the list that follows]

- 4
- 5 b. Insert a new paragraph and footnote following the heading “Expense Recognition” and  
6 before existing paragraph 35 as follows:

7 34A. The cost of acquisition of general PP&E land and permanent land rights should be  
8 recognized on the statement of net cost for the period in which the cost is incurred. The  
9 cost should include all costs to prepare general PP&E land or a permanent land right for  
10 its intended use (e.g., razing a building). In some cases, land may be acquired along  
11 with existing structures. If the structure is to be used in operations, the amount related  
12 to the structure should be estimated and capitalized while the amount related to the  
13 land should be expensed. If acquisition of the structure is merely a byproduct of the  
14 acquisition of the land, the cost of the entire acquisition should be expensed. No  
15 amounts for general PP&E land or permanent land rights acquired through donation or  
16 devise<sup>17.1</sup> shall be recognized in the financial statements cost of general PP&E land.

17 FN 17.1 - Acquisition of general PP&E can also occur due to legal devise or  
18 instrument such as a will or clause within a will that bequeaths property to an  
19 entity.

- 20 c. Amend existing paragraph 35 as follows:

21 35. Depreciation expense is calculated through the systematic and rational allocation of  
22 the cost of general PP&E, less its estimated salvage/residual value, over the estimated  
23 useful life of the general PP&E. Depreciation expense shall be recognized on all  
24 general PP&E,<sup>41</sup> except land and permanent land rights which shall be expensed as  
25 incurred of unlimited duration.<sup>42</sup>

26

27 10. This paragraph amends SFFAS 6, paragraph 45, to require acreage and physical unit  
28 disclosure and clarify the sub-categorization and reporting of land use by adding  
29 requirements to present information about the quantity and acreage of land for each of three  
30 new categories based on predominant use, provide information regarding land held for  
31 disposal, and transfers of land. The text of paragraph 45 is presented and additions are  
32 underlined:

- 33 45. The following are minimum G-PP&E disclosure requirements:

- 34 ○ the cost (excluding land and permanent land rights), associated accumulated  
35 depreciation, and book value by major class;
- 36 ○ acreage and physical unit information related to land by its predominant use  
37 using the following three categories:

**Comment [DS27]:** Per G. Scott email dated 9 June. Not sure I understand what this means.

Staff: See added footnote below.

**Comment [DS28]:** Per P. McNamee 19 June email Seems to imply there is a cost of general PP&E land somewhere in financial statements.

Staff: See suggested edit below which reads:

Acquisition of general PP&E can also occur due to legal devise or instrument such as a will or clause within a will that bequeaths property to an entity.

1. Conservation and Preservation (Fauna and Flora) - Land or land rights which are predominantly used for conservation or preservation purposes. Conservation and preservation although closely linked are distinct terms. Each term involves a certain type or degree of protection. Specifically, conservation is generally associated with the protection and proper use of natural resources whereas preservation is associated with the protection of buildings, objects, and landscapes from use.
2. Operational (Readiness and Training, Office Building Locations, Storage, and Vacant) - Land or land rights predominantly used for general or administrative purposes. For example, the following functions performed by entities would be included in this category:
  - Military - to prepare for the effective pursuit of war and military operations short of war; to conduct combat, peacekeeping, and humanitarian military operations; and to support civilian authorities during civil emergencies.
  - Scientific – to conduct and manage research, experimentation, exploration and operations to include the development of commercial capabilities. Broad scientific fields of study generally include (1) physical sciences (physics, astronomy, chemistry, geology, metallurgy), (2) biological sciences (zoology, botany, genetics, paleontology, molecular biology, physiology), and (3) social sciences (psychology, sociology, anthropology, economics.
  - Nuclear – to manage or regulate the use of nuclear energy, power plants, radioactive materials, radioactive material shipments, nuclear storage, and nuclear reactor decommissioning.
  - Other Related – that are operational, administrative, or other in nature. For example, land used for readiness and training, office building locations, storage or vacant.
3. Commercial Use (Revenue to include In-Kind) -Land or land rights which are predominantly used to generate inflows of resources from non-federal third parties usually through special use permits, right-of-way grants, and leases. Such inflows may arise from exchange or non-exchange activities and may or may not be considered dedicated collections. Some examples include revenue or inflows derived from:
  - concession arrangements,
  - grants for a specific project such as electric transmission lines, communication sites, roads, trails, fiber optic lines, canals, air rights, flumes, pipelines, and reservoirs.
  - land sales or land exchanges,

- leases,
- permits for public use such as commercial filming and photography, advertising displays, agriculture , recreation residences and camping, recreation facilities, temporary use permits for construction equipment storage and assembly yards, well pumps, and other such uses,
- forest product sales such as timber, or sales arising from national forests and grasslands,
- public-private partnerships.

- the use and general basis of any estimates used;
- the estimated useful lives for each major class;
- the method(s) of depreciation for each major class;
- ⊖ capitalization threshold(s) including any changes in threshold(s) during the period; ~~and~~
- restrictions on the use or convertability of G-PP&E;
- the number of acres and physical units transferred from one Federal entity to another with appropriate adjustments made to the predominant use information reported;
- the amount of acreage and physical units held for disposal or exchange. Land (acres) is considered held-for-disposal or exchange when the entity has satisfied the legislative disposal authority requirements specific to the land in question. Disposal includes conveyances of federal land not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof. This information should be presented based on predominant use using the three categories identified above. In cases where land has multiple uses, none of which is predominant, a description and sub-categorization of the multiple uses should be presented. FN

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

The above listed disclosure requirements are not applicable to the U.S. Government-wide financial statements. SFFAS 32 provides for disclosure applicable to the U.S. Government-wide financial statements for these activities.

## AMENDMENTS TO SFFAS 29, HERITAGE ASSETS AND STEWARDSHIP LAND

10. This paragraph amends SFFAS 29 to clarify the definition of Stewardship Land and references to general PP&E.

a. Paragraph 33 and footnote 16 are amended as follows:

Stewardship Land ~~is~~ includes both public domain and acquired lands and land rights<sup>15</sup> owned by the Federal Government intended to be held indefinitely, -but not acquired for or in connection with<sup>16</sup> items of general property, plant, and equipment PP&E. Examples of stewardship land include land reserved, managed, planned, used or acquired for<sup>16</sup>; as forests and parks, and land used for wildlife and grazing.

7. forests and parks,
8. recreation and conservation,
9. wildlife habitat and grazing,
10. historic landmarks and/or to preserve pre-historic and historic structures (those listed on or eligible for listing on the National Register of Historic Places),
11. multiple purposes to include revenue generation (for example, special use permits, mineral development activities and timber production),
12. buffer zones for security, flood management, and noise and view sheds.

**FN15** - 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.

**FN16** - "Used or Acquired for or in connection with" is defined as including (1) public land or acquired land used acquired with the intent to construct general PP&E and (2) 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. Land used or acquired for in connection with items of general PP&E but meeting the definition of stewardship land should be classified as stewardship land unless such land is not distinct or clearly identifiable. In such cases, classification as general PP&E would be appropriate.

b. Paragraph 35 is amended as follows:

Land and land rights ~~owned by the Federal Government and acquired for or used in connection with items of meeting the definition of~~ general PP&E established in SFFAS 6, as amended, should be ~~should be accounted for in accordance with SFFAS 6, as amended recognized on the statement of net cost for the period in which the cost is incurred,~~ accounted for and reported as general PP&E.

c. Paragraph 39 is amended and footnote 20 rescinded as follows:

**Comment [DS29]:** 31 July – all highlighted edits as a result of task Force review; Forest Service, Interior, and DoD provided input

**Comment [DS30]:** Per S. Showalter email dated 17 June. Delete second "should be."

Staff: Thank you.

Transfers of stewardship land and general PP&E 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 entities should properly adjust for acreage and physical unit disclosures ~~recognize a transfer out of capitalized assets.~~<sup>20</sup>

FN 20 ~~— Footnote rescinded by SFFAS ##. SFFAS 7, Accounting for Revenue and Other Financing Sources, par. 74 and par. 345-346.~~

11. This paragraph amends SFFAS 29 to require acreage disclosure and improve the categorization and reporting of land use. In addition, acreage held for disposal or exchange should be provided.

a. The first sentence in paragraph 40 is amended as follows:

40. Entities with stewardship land and permanent land rights (hereinafter, referred to as "stewardship land") should reference a note<sup>21</sup> on the balance sheet that discloses information including acreage 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 and acreage amounts for of each major sub-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 and sub-categorization of the multiple uses should be presented. The appropriate level of sub-categorization and acreage amounts 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~~ sub-categorized by its predominant use using the following three sub-categories as appropriate:

1. Conservation and Preservation (Fauna and Flora) - Land or land rights which are predominantly used for conservation or preservation purposes. Conservation and preservation although closely linked are distinct terms. Each term involves a certain type or degree of protection. Specifically, conservation is generally associated with the protection and proper use of natural resources whereas preservation is associated with the protection of buildings, objects, and landscapes from use.

**Comment [DS31]:** 11 August Staff edit. Adding PLR's to conform with G-PP&E disclosure requirements; that is, consistency.



2. Operational (Readiness and Training, Office Building Locations, Storage, and Vacant) - Land or land rights predominantly used for general or administrative purposes. For example, the following functions performed by entities would be included in this category:

- Military - to prepare for the effective pursuit of war and military operations short of war; to conduct combat, peacekeeping, and humanitarian military operations; and to support civilian authorities during civil emergencies.
- Scientific – to conduct and manage research, experimentation, exploration and operations to include the development of commercial capabilities. Broad scientific fields of study generally include (1) physical sciences (physics, astronomy, chemistry, geology, metallurgy), (2) biological sciences (zoology, botany, genetics, paleontology, molecular biology, physiology), and (3) social sciences (psychology, sociology, anthropology, economics.
- Nuclear – to manage or regulate the use of nuclear energy, power plants, radioactive materials, radioactive material shipments, nuclear storage, and nuclear reactor decommissioning.
- Other Related – that are operational, administrative, or other in nature. For example, land used for readiness and training, office building locations, storage or vacant.

3. Commercial Use (Revenue to include In-Kind) -Land or land rights which are predominantly used to generate inflows of resources from non-federal third parties usually through special use permits, right-of-way grants, and leases. Such inflows may arise from exchange or non-exchange activities and may or may not be considered dedicated collections. Some examples include revenue or inflows derived from:

- concession arrangements,
- grants for a specific project such as electric transmission lines, communication sites, roads, trails, fiber optic lines, canals, air rights, flumes, pipelines, and reservoirs.
- land sales or land exchanges,
- leases,
- permits for public use such as commercial filming and photography, advertising displays, agriculture , recreation residences and camping, recreation facilities, temporary use permits for construction equipment storage and assembly yards, well pumps, and other such uses,

- forest product sales such as timber, or sales arising from national forests and grasslands.
- public-private partnerships.

d. Stewardship land should be quantified in terms of physical units and acreage amounts. The appropriate level of aggregation ~~and physical units of measure~~ for each major category of stewardship land use should be in accordance with the three sub-categories specified at paragraph 40(c) above. ~~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 sub-category of stewardship land use the following should be reported:

1. The number of physical units and acreage amounts by major sub-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 and acreage amounts by major sub-category of stewardship land use that were acquired and the number of physical units and acreage amounts by major sub-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 and acreage amounts (by major sub-category of stewardship land use) of transfers of stewardship land between Federal entities and the number of physical units and acreage amounts (by major sub-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.
4. The amount of physical units and acreage held for disposal or exchange. For purposes of this standard, land (acres) is considered held-for-disposal or exchange when the entity has satisfied the legislative disposal authority requirements specific to the land in question. Disposal includes conveyances of federal land not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof. FN

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

**Comment [DS32]:** Per S. Showalter email dated 17 June. Could physical units and acreage be the same? Disclosing both may create more burden than the Board anticipated.

Staff: Yes, TR #9 (Level C GAAP) states that physical units and acres can be the same. SFFAS 29 does not define physical units.

The distinction is important to maintain given that SFFAS 29 also covers Heritage Assets such as museum collections.

The task force advised that we need both physical units and acreage for reporting purposes.

12. The U.S. government-wide financial statement disclosures at paragraph 42 is amended as follows to require presentation of acreage by category:

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, categorization and acreage amounts 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, and physical units and acreage amounts by major categories of stewardship land use.

## AMENDMENTS TO SFFAS 32: CONSOLIDATED FINANCIAL REPORT OF THE UNITED STATES GOVERNMENT REQUIREMENTS

13. This paragraph revises the government-wide disclosure requirements for property, plant, and equipment. Paragraph 23 and the heading preceding paragraph 23 are amended as follows:

General Property, Plant, and Equipment

23. The U.S. government-wide financial statements should include the following disclosures:

a. broad description of general PP&E,

b. number of acres sub-categorized by predominant use using the following three sub-categories as appropriate: (1) Conservation and Preservation (Fauna and Flora) (2) Operational (Readiness and training, Office Building Locations, Storage and Vacant), and (3) Commercial Use (Revenue to include In-Kind),

c. the amount of physical units and acreage held for disposal or exchange,

d. ~~b.~~ the cost (excluding land and permanent land rights), associated accumulated depreciation, and book value by major class, and

e. ~~e.~~ a general reference to component entity reports.

## AMENDMENTS TO SFFAS 7: ACCOUNTING FOR REVENUE AND OTHER FINANCING SOURCES AND CONCEPTS FOR RECONCILING BUDGETARY AND FINANCIAL ACCOUNTING

14. Amendments to guidance regarding transfers and donations of land.

a. Amend footnote 14 at paragraph 62 which discusses revenue arising from donations, to include reference to new SFFAS 6 paragraph 34A entitled, "Expense Recognition."

FN14 - For the recognition criteria for donated property, plant and equipment, see SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, para. 30, 34A, 62, and 71.

- b. At paragraph 258, which discusses non-exchange transactions with the public, specifically donations, revise the paragraph to include G-PP&E land.

258. Donations: ~~except types of property, plant, and equipment that are expensed.~~ Donations are contributions to the Government, i.e., voluntary gifts of resources to a Government entity by a non-Federal entity.<sup>51</sup> The Government does not give anything of value to the donor, and the donor receives only personal satisfaction. The donation of cash, other financial resources, or nonfinancial resources (except G-PP&E land and permanent land rights and stewardship property, plant, and equipment) is therefore a nonexchange revenue

- c. At paragraph 259, which discusses non-exchange transactions with the public, specifically donations, revise the paragraph to include G-PP&E land.

259. The exceptions are for donations of assets that are expensed rather than capitalized. These include general PP&E land and permanent land rights, stewardship PP&E, (consists of Federal mission PP&E, (heritage assets, and stewardship land). Such PP&E is expensed if purchased, but no amount is recognized if it is received as a donation.<sup>52</sup> Correspondingly, no revenue is recognized for such donations.

- d. At paragraph 296 and footnote 62 which discusses sales of PP&E, revise language to include G-PP&E land and permanent land rights.

296. The entire sales price is a gain if the book value of the asset is zero. The book value is zero (a) if the asset is general property, plant, and equipment (PP&E) that is fully depreciated or written-off or (b) if the asset is G-PP&E land or permanent land rights, or stewardship PP&E, for which the entire cost is expensed when the asset is purchased.<sup>62</sup>

FN62 - SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, has divided property, plant, and equipment (PP&E) into two basic categories: general PP&E and stewardship PP&E (which consists of ~~federal mission PP&E, -~~ heritage assets, and stewardship land). General PP&E other than land and permanent land rights is capitalized and recognized on the balance sheet; G-PP&E land and permanent land rights, and stewardship PP&E is are expensed and thus ~~has~~ have no book value. (Stewardship PP&E is presented in a stewardship statement.)

- e. At paragraph 345, which discusses intra-governmental transfers of PP&E, add G-PP&E land to the requirement.

345. Transfer of property, plant, and equipment without reimbursement: types that are expensed. - Property, plant, and equipment (PP&E) of types that are expensed (i.e.g., G-PP&E land and stewardship PP&E) may be transferred from one Government entity to another. If the asset was classified as either G-PP&E land (including permanent land rights) or stewardship PP&E in its entirety by both the transferring entity and the recipient entity, the transfer does not affect the net cost of operations or net position of

either entity and therefore in such a case it is not a revenue, a gain or loss, or other financing source.

- f. At paragraph 346, which discusses intra-governmental transfers of PP&E classified as G-PP&E by the transferor but as SL by the recipient, delete the de-recognition requirement in its entirety.

~~346. However, if the asset that is transferred was classified as general PP&E for the transferring entity but stewardship PP&E for the recipient entity, it is recognized as a transfer out (a negative other financing source) of capitalized assets by the transferring entity.~~

- g. At paragraph 358, which discusses transfers of PP&E, revise language to include G-PP&E.

358. Transfer of property, plant, and equipment without reimbursement: types that are expensed. - Property, plant, and equipment (PP&E) of types that are expensed (i.e., G-PP&E land (including permanent land rights) and stewardship PP&E) may be transferred from one Government entity to another. If the asset was classified as either G-PP&E land (including permanent land rights) or stewardship PP&E in its entirety by both the transferring entity and the recipient entity, the transfer does not affect the net cost of operations or net position of either entity and therefore in such a case it is not a revenue, a gain or loss, or other financing source.

- h. At paragraph 361, which discusses donations of PP&E, revise language to include G-PP&E.

361. Donation of property, plant, and equipment: types that are expensed.—The acquisition costs of general PP&E land (including permanent land rights), heritage assets and stewardship land property, plant, and equipment (PP&E) is are recognized as a cost when incurred. Such PP&E consists of Federal mission PP&E, heritage assets, and stewardship land. When such PP&E is donated to the Government, however, no amount is recognized as a cost.<sup>81</sup> Since the donation of such PP&E does not affect the net cost or net position of the recipient entity, it is not a revenue, a gain, or an other financing source.

## AMENDMENTS TO TECHNICAL RELEASE 9: IMPLEMENTATION GUIDE FOR STATEMENT OF FEDERAL FINANCIAL ACCOUNTING STANDARDS 29: HERITAGE ASSETS AND STEWARDSHIP LAND

### 15. Rescinding guidance specific to Stewardship Land.

- a. This Statement amends requirements in Technical Release 9 to acknowledge the rescission of requirements pertaining to stewardship land. The following text is to be inserted before the Summary:

Statement of Federal Financial Accounting Standards XX, *Accounting and Reporting of Government Land*, rescinded the supplemental guidance contained herein pertaining to stewardship land. The following guidance offers

insights regarding materiality, disclosures, condition assessments and other factors that may influence reporting of stewardship land. The guidance has not been updated to conform to the new standards and should be considered other literature until revised implementation guidance, if any is provided.

EFFECTIVE DATE

16. The requirements of this Statement are effective for reporting periods beginning after September 30, 2020. Early adoption is permitted.

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

**Comment [DS33]:** Per S. Showalter email dated 17 June. Suggest making earlier so we can test the waters about effort. Okay with early adoption.

Staff: Given the concerns over SFFAS 50 and its possible impact on SFFAS 29 regarding land, we will most definitely hear first-hand of preparer burden concerns.

Given the controversial nature of the issues, accelerating the date may have unintended consequences and draw our due process into question. For example:

Assuming the ED is issued shortly after the October meeting with a 60 or 90 day comment period, respondent results will be available sometime in Feb/March 2018. This leaves us with a 6 month implementation if we pushed this to become effective in FY19.

## APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement and not the material in this appendix should govern the accounting for specific transactions, events, or conditions.

### PROJECT HISTORY

A1. This project was added in February 2016 during FASAB's three-year plan review. The Board agreed that the project was needed to address implementation issues arising from SFFAS 6, *Accounting for Property, Plant, and Equipment*; SFFAS 29, *Heritage Assets and Stewardship Land*; and SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment*.

A2. SFFAS 6 requires that land and land rights acquired for or in connection with other general PP&E be capitalized at the cost incurred to bring the assets to a form and condition suitable for use. "Acquired for or in connection with other general PP&E" is defined as 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.

A3. In contrast, SFFAS 29 defines "stewardship land" as land other than land acquired for or in connection with other general PP&E. It requires disclosures regarding policies for managing land, categories of land, and physical quantity information.

A5. Most recently, SFFAS 50 amended SFFAS 6 and rescinded SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment*, to allow a reporting entity to apply alternative methods in establishing opening balances for general property, plant, and equipment (PP&E). Concerning land, the alternative methods include using deemed cost to establish opening balances of general PP&E land or excluding land and land rights from opening balances with disclosure of acreage information and expensing of future acquisitions.

A6. Implementation of the above requirements has resulted in significant differences in accounting treatment for land holdings. Because the land acquired during our Nation's formation is sometimes used in connection with other general PP&E, it is not generally valued as would be GPP&E land acquired for similar purposes. That is, GPP&E ~~will~~ only includes land and land rights with an identifiable cost that was specifically acquired for or in connection with construction of general PP&E. It is important to note that stewardship land is expensed when acquired and quantity information is presented in the notes to the financial statements provided in a note.

A7. Early in its deliberations While developing and refining the project plan, certain members requested that any forthcoming guidance the Board was clear that forthcoming guidance must be consistently applied. To that end, the Board and directed staff to ensure that identify available options, along with associated benefits and drawbacks, be considered. In particular, the Board asked staff to consider user information needs; explore and identify

**Comment [DS34]:** Per S. Showalter email dated 17 June.

**Comment [DS35]:** Per G. Scott 9 June email. Suggest replacing with "presented in the notes to the financial statements."

Staff: Concur.

**Comment [DS36]:** 11 August 2017 – Staff edit. Avoid inferring any agreement concerning the project at such an early stage.

1 | what the information agencies use to manage land; identify types of information, such as  
2 | acreage, that would help demonstrate the government's stewardship and accountability over  
3 | federal lands; address whether land held for disposal (for example, sale, public-private  
4 | partnerships, donated to state and local governments) should be valued; and consider  
5 | whether a uniform land accounting policy is a viable option given initial agency and task  
6 | force feedback that current land classifications of stewardship land (SL) and general  
7 | property, plant and equipment (G-PP&E) land be retained.

**Comment [DS37]:** Per S. Showalter email dated 17 June.

8 | A8. ~~As a result~~To assist in evaluating options for improving the consistency and relevance of  
9 | information regarding land, a land task force was created consisting of representation from  
10 | federal agencies, commercial sector(s), and citizens. ~~and in~~Meetings were held between  
11 | June 2016 and April 2017. ~~All meetings were well attended with representation from federal~~  
12 | ~~agencies, commercial sector(s), and citizens.~~Participants came from diverse disciplines  
13 | such as accounting, auditing, civil engineering, financial reporting, business consultants, and  
14 | program management. The majority of participants agreed that there is significant interest in  
15 | how agencies manage land on behalf of the public and how this information is  
16 | communicated to financial statement users.

**Comment [DS38]:** Per S. Showalter email dated 17 June. Also see edits to the below footnote.

17 | A9. Due to the divergent views among task force participants, principally among preparers  
18 | and users, ~~it became readily apparent that~~ reaching consensus on the major issues ~~would~~  
19 | ~~proved~~ challenging. To best meet the project goals and objectives, staff, in addition to  
20 | engaging in task force discussions, initiated fact-finding meetings with three land-holding  
21 | agencies; Department of Defense, Department of Energy, and the Department of Interior.  
22 | Notably, retaining the current land classifications of SL and G-PP&E land was the one area  
23 | ~~for which~~ preparers and users seemed to unanimously agree.

## 24 | 25 | User Needs

26 | A10. The Board has identified various user needs covering citizens, federal executives and  
27 | managers, and congressional users<sup>5</sup> through a variety of initiatives and discrete projects  
28 | over the years, to include this project.

29 | A11. Citizen-users tend to want understandable financial information which is verified or  
30 | audited so that they can participate in the democratic process and engage in discussions  
31 | about the nation's finances. They are generally interested in the federal government's  
32 | financial health, how it uses its resources, and what was accomplished with the funds  
33 | provided. In particular, citizens want to know about the federal government's assets and  
34 | liabilities, specific agency or program results, and whether funds ~~are~~were used for their  
35 | intended purpose and not wasted. Citizens also rely on financial reporting to support their  
36 | varied work through the use of financial statement amounts as control totals and disclosures

**Comment [DS39]:** Per S. Showalter email dated 17 June.

<sup>5</sup> For example, at the April 29, 2010, Board meeting, members discussed a comprehensive User Needs Study wherein FASAB staff conducted a series of user studies involving citizens, executives and managers, and the Congress. Upon completion of the studies, staff developed a user needs inventory for use in determining improvements in existing federal financial reports.

Additionally, FASAB's 2016 Annual Report and Three-Year Plan survey solicited responses regarding the Land Project that included comments ~~supporting and not supporting both for and against~~ the project. Comments supporting the project's priority expressed concern with the lack of consistency in financial accounting over land. Comments expressing disagreement with the project's priority noted that while important to consistently report land holdings, land generally does not have an effect on operating effectiveness because most of it is held in a stewardship capacity.



for added contextual understanding. Specific to land, citizen users desire transparency over how much land an entity manages and its use. For example, in FASAB's 2010 User Needs Survey a citizen specifically asked about the amount of revenue that could be raised from the federal taxation of land values and mineral rights.

A12. Federal executive leaders and manager users tend to need accurate information regarding the status of their budgetary resources and the performance of their programs. Availability of this information seems to be a key concern for them. Additionally, they need information in a timely manner and in some cases more timely than their existing financial systems can provide. Further, they seek information from systems in addition to or in lieu of the financial system where, in some cases the information from such systems is not verified or audited. As a result, multiple systems may be involved in their efforts to obtain useful information. Moreover, these leaders admit that they may not always understand the information provided in financial reports; therefore, they develop their own data and reports. Consequently, it appears that individual leaders are using and/or developing specialized financial information beyond what is provided in their agency's financial system. Specific to land, over half of the land task force representatives believe that information that management uses to manage its land portfolios is not reliable for financial reporting. Furthermore, in 2011 GAO assessed<sup>6</sup> the potential reliability of data elements that five agencies collect and determined that less than half of the data elements stored in a primary agency data system were potentially reliable.

**Comment [DS40]:** Per S. Showalter email dated 17 June. See below "that" edits.

A13. Partially to encompass Congress' wide range of responsibilities, congressional users tend to seek timely, easy to understand financial information to address particular issues about a variety of responsibilities. Congress uses many sources to obtain the information it needs such as obtaining the information directly from agencies and utilizing legislative support organizations like the Government Accountability Office, Congressional Budget Office, and Congressional Research Service. To obtain the needed information, Congress may conduct hearings, make requests for data from the agency or rely on legislative support organizations and other sources. Specific to land, Congressional interest is evident in three broad areas: (1) identification of federal land and the resources managed by agencies, (2) revenues generated from selected activities on federal land, and (3) federal land subject to selected land use designations.

**Comment [DS41]:** Per S. Showalter email dated 17 June.

## Preparer Burden

A14. The land task force addressed preparer burden this matter and identified and ranked several constraints other than system integration issues which exist that impede federal preparers and their ability to prepare financial statements. In order of task force ranking, the constraints are as follows:

- i. Inadequately trained staff
- ii. Lack of experienced staff
- iii. Requirements overload
- iv. Continually shifting priorities

**Comment [DS42]:** Per S. Showalter email dated 17 June.

<sup>6</sup> Federal Land Management, *Availability and Potential Reliability of Selected Data Elements at Five Agencies*. GAO report No. GAO-11-377, date April 2011.

v. Lack of senior level management support

Additionally, some preparers noted ~~that~~ they are not the operational or program people who have to implement the multitude of requirements and reporting standards put into effect. Implementation of said requirements and standards falls to a very limited staff at local levels to which in some cases, accounting requirements have little to no bearing on ~~supporting~~~~accomplishing~~ their mission.

A15. The Board realizes that ~~both~~ the financial management community as well as operational and program personnel have difficult tasks and challenges ~~that~~ they face day-to-day in accomplishing their mission. To that end, the Board has elected to focus on reducing preparer burden and enhancing existing requirements as opposed to developing entirely new standards for land.

**Comment [DS43]:** Per S. Showalter email dated 17 June.

A16. The Board further realizes that in general, resources are limited and because new requirements take time to implement, accounting requirements could compete with ~~other~~ internally perceived needs. The Board acknowledges this trade-off as just one of many cost-benefit factors that the Board ~~will~~ ~~needs~~ to consider as it addresses each specific issue in this proposed ~~standard~~~~Statement~~.

**Comment [DS44]:** Per S. Showalter email dated 17 June.

A17. In addition to considering user needs and preparer burden, other key factors contributing to a cost-benefit analysis include: (1) budget constraints and uncertainties are not infrequent in the federal space and should not, by themselves, be a basis for not improving financial reporting; (2) identifying the proper accounting for land is of paramount importance and separate from implementation issues; and (3) standards can be written in a manner to help ease implementation issues; for example, proposing longer lead-times to effective dates or using a phase-in approach to help ease implementation.

**Land Valuation**

A18. As the Board evaluated input from the land task force and user sub-group, it became clear historical cost information is of limited value to most users. Although some users identified benefits of historical cost information, uses for cost information appear to be quite limited and benefits not derived solely from knowing land's historical cost. For example, one user noted the importance of using historical cost information to estimate fair value (for example, by applying escalation factors) or ascertain the reasonableness of a fair market value appraisal. Another user pointed to the reporting objectives (that is, stewardship and systems and controls) as directly benefiting from the requirement to report land's historical costs on the balance sheet and thus, increasing reliability of the financial statements.

**Comment [DS45]:** Per S. Showalter email dated 17 June.

A19. In considering this matter, the Board is guided by two overarching principles - consistency and accountability. In evaluating these principles, the Board believes both can be satisfied either from financial display or non-financial information (NFI) perspectives.

A20. To that end, because it appears that historical cost information is not ~~particularly~~ useful to the majority of users and that the majority of the task force and users believe that ~~the~~ reporting of land is currently deficient, the Board considered alternate measurement attributes such as fair value and value-in-use. Although fair value was considered to be of high relevance, requiring fair value estimates for all federal land would be cost prohibitive. Many entities do not have the internal expertise or systems in-place to make such

**Comment [DS46]:** Per S. Showalter email dated 17 June.

1 measurements and would therefore be required to engage outside experts. Additionally,  
2 frequent re-measurements would be required. Regarding value-in-use measurements, the  
3 Board determined that because such measurements are entity specific, applying such a  
4 measurement attribute to land would undermine consistency and comparability.

5 A21. As such, the Board believes ~~that~~ it can help reduce preparer burden by eliminating the  
6 requirement to capitalize land associated with G-general PP&E. Therefore, the Board  
7 proposes reclassifying G-general PP&E land as a non-capitalized asset with no dollar  
8 amounts reported on the balance sheet.

**Comment [DS47]:** Per S. Showalter email dated 17 June.

## 9 10 **Land Use – Categorizing Land Consistently**

11 A22. To improve the consistency and uniformity of disclosures, the Board requested asked  
12 the task force to identify categories in addition to the land categories currently in use;  
13 Stewardship Land (SL) and General Property, Plant, and Equipment (G-PP&E) land.

**Comment [DS48]:** Per S. Showalter email dated 17 June.

14 A23. The task force reviewed two primary federal sources that address land use designations  
15 for federal lands: *Federal Real Property Inventory Reporting* from the General Services  
16 Administration (GSA) and a Government Accountability Office (GAO) report entitled *Federal*  
17 *Land Management: Availability and Potential Reliability of Selected Data Elements at Five*  
18 *Agencies*. The GSA reporting guidelines identified 24 discrete (plus an “all other” category)  
19 land-use designations and the GAO report examined 57 discrete land and resource data  
20 elements collected by five federal agencies; Forest Service (USDA) and Interior’s Bureau of  
21 Land Management (BLM), Fish and Wildlife Service (FWS), National Park Service (NPS),  
22 and Bureau of Reclamation and Department of Defense (DOD).

23 A24. After several iterations and separate analyses taking nearly a year, the task force and  
24 ~~the~~ its user sub-group narrowed land classification to three categories predicated on land-  
25 use that both G-PP&E and SL could be classified under: (1) Conservation and Preservation  
26 (Fauna and Flora); (2) Military, Scientific, Nuclear, and Other Related Operational  
27 (Readiness and training, Office Building Locations, Storage and Vacant); and (3)  
28 Commercial Use (Revenue to include In-Kind).

**Comment [DS49]:** Per S. Showalter email dated 17 June.

29 A25. Consistent with the task force’s recommendation to retain the current land classifications  
30 of SL and G-PP&E land, the Board believes that these three use categories would help  
31 clarify the existing requirements concerning the categorization and reporting of land- and  
32 better reflect user needs.

## 33 34 **Discrete NFI Data-Points**

35 A26. Prior FASAB analyses of user needs reveal that financial statements are a starting point  
36 for users wherein they often consult branch off into other venues to obtain desired  
37 information. Because ~~the Board believes that~~ general purpose financial reporting is  
38 primarily designed for external users of financial reports, the Board believes it should not  
39 overestimate the importance of land information in financial statements to any one set or  
40 group of users (needs). However, the Board does believe ~~that~~ additional information should  
41 be included within the financial report to that would allow users to have a starting point to  
42 assist them in their analyses or assessments of entity performance. As such, ~~it~~ the Board  
43 believes ~~that~~ this can be best accomplished using from an NFI perspective.

**Comment [DS50]:** Per S. Showalter email dated 17 June. Clarify 2<sup>nd</sup> sentence; who is “it”

A27. Five non-financial information data-points were initially developed as a result of the task force's evaluation of the types of information that should be reported. For each data-point, task force feedback suggests benefits would exceed the costs of providing information. The NFI Data-points along with reasons they were included follow:

- i. Acreage – without acreage, any financial information on land becomes less meaningful and much more limited in value. Also seen as critical to meeting the reporting objectives. Of all the data-points reviewed, acreage received the highest score-support from the task force for presentation as NFI (Das a note disclosure being the most favored).
- ii. Held (eligible) for Disposal or exchange - valuing and reporting on land held for disposal or exchange would have a positive effect on meeting Operating Performance, Stewardship and Systems and Controls reporting objectives. Also, it would increase accountability and transparency. The task force supported/awarded this data-point a high score for presentation as a note disclosure. However, an equal score (number) was awarded of task force members supported for non-inclusion as excluding this information from NFI.
- iii. Predominant Use - useful information for academic or commercial analyses of public land that would allows for more uses of financial statement information. Also, increases comparability in land reporting across agencies. The Although the majority of task force members supported awarded this data-point a high score for presentation as (RSI being the most favored), some task force members supported excluding this information from NFI.
- iv. Revenue-generating Land - essential information for analyses of public land options and needed for transparency and visibility to understand Federal revenues reported in the financials. This is a key area of congressional interest as reported by GAO. Also, would allows for more uses of financial statement information and would make connecting land acreage and value to other entries in the financials more straightforward. Although the majority of the task force members supported awarded this data-point a high score for presentation as (RSI being the most favored), some task force supported excluding this information from NFI.
- v. Unit count information - value of this information increases significantly when combined with acreage and any one of the other above supported "favored" data-points. The task force members supported awarded this data-point a high score for presentation as a note disclosure. However, an equal score (number) of task force members supported was awarded for non-inclusion as excluding this information from NFI.

A28. In reviewing the five recommended NFI data-points, the Board determined that acreage and land (acres) eligible/held for disposal should be included as additional specific disclosures. It is the Board's opinion that acreage is the common denominator among preparers and users. Providing acreage would addresses criticisms and helps meet stewardship, accountability, and transparency concerns. That is, financial information (historical cost) abouten land thus far provided to users without acreage information has been less meaningful to users.

A29. The Board agrees that valuing and reporting land held for disposal supports would have a positive effect on the reporting objectives. As borne out by the task force's research into

**Comment [DS51]:** Per S. Showalter email dated 17 June. Because the scores are not disclosed, I don't believe they are relevant and may confuse some readers seeking the scores.

Staff: Concur.

**Comment [DS52]:** Per S. Showalter email dated 17 June. How unique to this option? Seems appropriate for all options.

Staff: Yes, but predominant use specifically helps academics like Dr. Armsworth properly value land or consider alternate uses and lost opportunity costs. Also, this information is of interest to Congress for similar reasons.

**Comment [DS53]:** Per S. Showalter email dated 17 June.

**Comment [DS54]:** Per S. Showalter email dated 17 June.

1 this area, citizen users are keenly interested in how an entity uses its land and desire  
2 greater transparency. Moreover, congressional users are also interested in the amount of  
3 how much land an entity manages and how it is used, revenues generated from selected  
4 activities on land, and land subject to selected land use designations to also include  
5 potential disposal.

6 A30. Given the fact ~~that~~ the Board believes land should not be capitalized (that is, measured  
7 or recognized) on the balance sheet, information on acreage and land (acres) held  
8 (eligible held) for disposal along with the other NFI proposals contained herein ~~would allow~~s  
9 entities to continue meeting the reporting objectives.

**Comment [DS55]:** Per S. Showalter email dated 17 June.

## 11 Determining Where Information Should Reside

12 A31. To best communicate information to users, the Board analyzed and categorized the five  
13 non-financial information data-points to determine where this information should be included  
14 within the financial report. To this end, the Board ~~is was~~ primarily guided by (1) existing  
15 reporting/disclosure requirements, (2) prior Board decisions concerning the importance of  
16 PP&E including SL, and (3) the extent to which this information interests a wide audience.

**Comment [DS56]:** Per S. Showalter email dated 17 June.

17 A32. With the assistance of the task force and sub-group users, the Board determined ~~that~~  
18 predominant use (that is, categorizing land), acreage, and land held-for-disposal or  
19 exchange are items of great interest to users. Additionally, members ~~believe concluded that~~  
20 the relevance of this information to fair presentation is of utmost importance. That is, in  
21 SFFAS 29, *Heritage Assets and Stewardship Land*, the Board ~~concluded opined that~~  
22 information on HA and SL (except for condition) should be basic information because it (1) is  
23 deemed essential to fair presentation and may be crucial to understanding the entirety of an  
24 entity's financial condition and, (2) addresses accountability and thus requires more audit  
25 scrutiny than would be afforded if ~~they were~~ considered RSI, and (3) was deemed consistent  
26 with GASB (reporting on art and historical treasures) and FASB (collections, other works of  
27 art and historical treasures).

**Comment [DS57]:** Per S. Showalter email dated 17 June.

28 a. Predominant use – predominant use information is currently required to be reported as  
29 basic information by SFFAS 29 for Stewardship land<sup>7</sup>. SFFAS 6 currently requires  
30 categorization of PP&E as either general, HA, or SL. Currently, land classification  
31 reflects intended usage at the time of acquisition/construction. This proposal refines the  
32 classification between general PP&E land and SL by basing the classification it on  
33 usage during the reporting period. This information is useful for academic or  
34 commercial analyses of public land and allows for more uses of financial statement  
35 information. Also, predominant use information increases comparability in land reporting  
36 across agencies. ~~Please r~~Refer to the discussion entitled, *Land Use – Categorizing*  
37 *Land Consistently*, at paragraphs A-22 through A25 ~~above~~ for additional discussion  
38 comments regarding the presentation of this information. The Board proposes ~~that~~ this  
39 NFI data-point remain as basic information.

40 c. Revenue generating – because information regarding revenue generating land reflects  
41 a land (resource) use, the task force although it was recommended that this data-point

<sup>7</sup> Where parcels of land have more than one use, the predominant use of the land should be considered the major use. SFFAS 29, *Heritage Assets and Stewardship Land*, paragraph 40(c).

1 be considered a distinct and separate element for reporting. ~~However~~, the Board  
2 ~~believes-concluded that~~ it can be satisfactorily reported under the ~~umbrella of the~~  
3 predominant use disclosure. . Such disclosure can be accomplished by categorizing  
4 revenue generating land under the Commercial Use category. The Board ~~believes~~  
5 ~~concluded that~~ this is essential information for analyses of public land options and  
6 needed to understand Federal revenues reported in the financials. Also, this allows for  
7 more uses of financial statement information and ~~facilitates would make~~ connecting land  
8 acreage and value to other entries in the financials more straightforward. Lastly, the  
9 GAO and task force have noted that information pertaining to revenues generated from  
10 federal land is important to Congress as well as other ~~financial report~~ users.

11 b. ~~Acreage~~ – ~~without acreage, any~~ financial information on land becomes less meaningful  
12 and ~~much~~ ~~valuable~~ ~~without acreage information~~. Given the fact that the Board ~~is~~  
13 ~~inclined concluded~~ to not require land to be measured or recognized on the balance  
14 sheet, this information should be subjected to the same audit scrutiny ~~that would~~  
15 ~~otherwise as other accompanying financial information about other assets~~. Therefore,  
16 the Board ~~believes-concluded that~~ this NFI data-point should be reported as basic  
17 information in order to continue meeting the reporting objectives.

18 c. ~~Land H~~held (~~eligible~~) for ~~D~~disposal or exchange – the Board agrees that valuing and  
19 reporting on land held for disposal or exchange ~~would have has~~ a positive effect on the  
20 reporting objectives. However, to be consistent with its position to not require  
21 recognition or measurement of land on the balance sheet, the Board proposes ~~that~~ this  
22 NFI data-point be reported as basic information.

23 d. Unit count information – unit count information is currently required by SFFAS 29 to be  
24 reported as basic information. The value of this information increases significantly when  
25 combined with acreage information and any one of the other above NFI data-points.  
26 The Board proposes ~~that~~ this NFI data-point remain as basic information.

27 A33. Due to its importance to users and relevance to the reporting objectives, the Board  
28 proposes that entities report this additional information (that is, requirement to categorize  
29 land, acreage and land ~~eligible held~~ for disposal) as basic ~~via information through n~~ Note  
30 disclosure.

## 32 Retaining Property, Plant, and Equipment (PP&E) Categories

33 A34. SFFAS 6, as amended, establishes three categories of PP&E: (1) general PP&E, (2)  
34 heritage assets, and (3) stewardship land. General PP&E includes land and land rights  
35 acquired for or in connection with other general PP&E (such as office buildings or  
36 infrastructure) used to provide general government services or goods. ~~whereas~~  
37 Stewardship Land is land and land rights owned by the ~~f~~Federal ~~G~~overnment but not  
38 acquired for or in connection with items of general PP&E. Examples of stewardship land  
39 include land used as forests and parks, and land used for wildlife and grazing. Categorizing  
40 land in accordance with SFFAS 6 is predicated on ~~how~~ an entity's intended ~~to use~~ of the  
41 land at acquisition and not necessarily how ~~the~~ land is ultimately used. Therefore, as a result  
42 and due to concerns over ~~the lack of consistency concerning the inconsistent~~ accounting and  
43 reporting of federal land, the Board asked the task force to assess whether the two PP&E

**Comment [DS58]:** Per S. Showalter email dated 17 June.



land categories should be replaced with ~~for example, a single or uniform land is land category~~one category -- land.

A35. Although some on the task force noted that a ~~uniform single~~ land category would in theory simplify reporting, others were concerned ~~that~~ the existing distinction between G-PP&E and SL would be lost. Also, some ~~noted~~~~argued~~ that such an approach would ~~affect~~ ~~change~~ current measurement and recognition requirements ~~primarily with~~for SL with no perceived benefits. To explore the matter further, the task force analyzed two primary federal sources ~~to that~~ address land use designations for federal lands: (1) *Federal Real Property Inventory Reporting from the General Services Administration (GSA)* and (2) a Government Accountability Office (GAO) report entitled *Federal Land Management: Availability and Potential Reliability of Selected Data Elements at Five Agencies* (2011). The GSA reporting guidelines currently identify 24 (plus "all other") discrete land-use designations and the GAO report examined 57 discrete land and resource data elements collected by five federal agencies; Forest Service (USDA) and Interior's Bureau of Land Management (BLM), Fish and Wildlife Service (FWS), National Park Service (NPS), and Bureau of Reclamation and Department of Defense (DOD).

**Comment [DS59]:** Per S. Showalter email dated 17 June.

A36. ~~After several iterations and~~ separate analyses, the task force (1) developed three broad sub-categories for the Board's consideration and (2) concluded that because users are in fact benefitting from the existing distinction between G-PP&E and SL, ~~those~~ ~~see current distinct~~ categories should be retained. Accordingly, the task force advised the Board to consider adding the three sub-categories based on how ~~the entities~~~~y-s~~ use the land they manage. Such land use designations would greatly improve information for existing users ~~to include~~ ~~Congress~~, broaden readership, and help met financial reporting objectives. The three broad ~~areas reflecting~~ land use ~~sub-categories~~ are: (1) Conservation and Preservation (Fauna and Flora); (2) ~~Military, Scientific, Nuclear, and Other Related~~~~Operational~~ (Readiness and training, Office Building Locations, Storage and Vacant); and (3) Commercial Use (Revenue to include In-Kind). ~~Accordingly, the Board notes the potential need to have these additional or broader sub-categories to complement the land categories currently in use. Refer to Appendix B for Illustrations concerning the three sub-categories.~~

**Comment [DS60]:** Per S. Showalter email dated 17 June.

A37. The Board is proposing to adopt these three broad areas of land use ~~to complement the general PP&E and SL land categories currently in use.~~ In addition, the Board is proposing to refine the distinction between general PP&E land and SL. Rather than basing classification on intentions at the time of acquisitions (which may have been many decades ago), the Board proposes to make the ~~sub-category~~~~general PP&E and SL~~ distinctions based on actual use during the reporting period.

**Comment [DS61]:** Per S. Showalter email dated 17 June.

**Comment [DS62]:** Staff on 1 August.

## Other Conforming Revisions

A38. In order to ensure consistency between component unit reporting and the government-wide disclosure requirements, conforming amendments to SFFAS 32, *Consolidated Financial Report of the United States Government Requirements*, are required. Additionally, because the amendments contained in this proposed Statement either incorporate, clarify or supersede a significant part of SL guidance contained within Technical Release 9: *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*, such guidance pertaining to SL should be rescinded. Conforming amendments to SFFAS 7, *Accounting for Revenue and Other*

1 *Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, are  
2 also proposed given that SFFAS 7 provides guidance regarding transfers and donations of  
3 land.

4 A39. In addition to federally-owned lands, some agencies hold land in trust (fiduciary land).  
5 Most notable is the tribal lands held in trust by the Bureau of Indian Affairs (BIA).<sup>7</sup> The Board  
6 considered whether land held in trust should be addressed through these amendments and  
7 decided that doing so would require significantly more research. Research areas include (1)  
8 the effectiveness of existing requirements, (2) consultation with users including trust  
9 beneficiaries, (3) appropriateness of federal financial reporting objectives, and (4) the costs  
10 and benefits of expanding fiduciary activity reporting.

11 A40. ~~SFFAS 31, *Accounting for Fiduciary Activities*, (effective in FY2009)~~ applies to land held  
12 in fiduciary activities. It requires federal entities to distinguish the information relating to  
13 fiduciary activities of the federal entity from all other activities of that federal entity.  
14 ~~Accordingly, Fiduciary assets~~ are ~~will~~ not ~~be~~ recognized on the balance sheet. Instead, a  
15 note disclosure providing the following information<sup>8</sup> about its fiduciary activities is required:

- 16 a. An explanation of the nature of the fiduciary relationship,
- 17 b. A schedule of fiduciary net assets, and
- 18 c. ~~-~~A schedule of fiduciary activity.

19 A41. ~~Items reported in the schedules must be measured in accordance with any of the~~  
20 ~~generally accepted accounting principles recognized by the AICPA.~~ Because federal GAAP  
21 provides for certain assets - stewardship land and heritage assets - to be disclosed rather  
22 than recognized, SFFAS 31 includes requirements for a Schedule of Changes in Non-  
23 Valued Fiduciary Assets including a description of the assets, beginning quantity, quantity  
24 received, quantity disposed of, net increase/decrease in non-valued fiduciary assets, and  
25 ending total quantity. ~~Non-valued fiduciary assets may include land, heritage assets, and~~  
26 ~~natural resources.~~

27 A42. ~~Including~~ While including amendments to reporting for land managed through fiduciary  
28 activities in the scope of this project might be expected. ~~However,~~ the issues are broader,  
29 reporting objectives are potentially different, and the stakeholders are different than those  
30 for federally owned land. Also, there may be factors regarding land use and management  
31 that should be considered before determining the most appropriate information (including  
32 categorization) to report given the cooperative arrangements between beneficiaries, such as  
33 tribal governments, and federal reporting entities, such as the Bureau of Indian Affairs (BIA).  
34 Also, the cost-benefit of expanding the fiduciary activities disclosures should be considered;  
35 costs and benefits may differ from those regarding federally-owned land. Therefore, the  
36 Board concluded this proposed Statement does not directly impact fiduciary activities.

**Comment [DS63]:** Per S. Showalter email dated 17 June.

**Comment [DS64]:** Per S. Showalter email dated 17 June. Why is this sentence necessary?

Staff: Concur. It is not central to the overall discussion. Staff advises me move to a footnote for reference-only purposes.

**Comment [DS65]:** Per S. Showalter email dated 17 June.

**Comment [DS66]:** Per S. Showalter email dated 17 June. Not sure why this paragraph is necessary.

Staff: We are subtly making the connection that by not requiring land to be valued – especially and including Tribal land – we continue classifying such land as “non-valued fiduciary” and as such, Interior as well as others who manage tribal land should really be disclosing this information per SFFAS 31.

**Comment [DS67]:** Per S. Showalter email dated 17 June.

<sup>8</sup> Items reported in the fiduciary schedules must be measured in accordance with any of the generally accepted accounting principles recognized by the American Institute of Certified Public Accountants (AICPA).



1 A43. The Board has continually noted the problems associated with providing corroborating  
2 documentation to auditors on historical assets ~~to include~~<sup>ing</sup> land. In the Basis for  
3 Conclusions to SFFAS 29, *Heritage Assets and Stewardship Land*, (par. 86-88) the Board  
4 briefly discusses the fundamental problems associated with historical assets and  
5 stewardship land. In addition, Technical Release 9: *Implementation Guide for Statement of*  
6 *Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*,  
7 addresses this difficulty by specifically noting the complexities regarding land. For example,  
8 federal land was acquired through (1) ceded territory by the original thirteen colonies, (2)  
9 territorial annexations, (3) purchases, and (4) treaties. Furthermore, acquisitions and  
10 disposals of land were not documented in the same manner as are modern-day land  
11 transactions. As a result, Technical Release 9 makes the point that records and detailed  
12 listings from these periods generally do not exist.

13 A44. ~~In connection with the specific proposal to require e~~Consistent and uniform disclosures  
14 of information for all land (that is, reporting acreage, acres of land held-for-disposal or  
15 exchange, and predominant land use), ~~the Board would like to issue guidance that would~~  
16 reflects the unique and complex nature of the asset in question; land. As such, the Board  
17 believes that it can facilitate the land attestation process by reminding preparers and  
18 auditors that because most federal land was primarily acquired in a variety of ways and over  
19 the nation's early settlement and formation, it is not unreasonable that supporting  
20 documentation will employ alternative methods and/or take on different forms of  
21 corroboration as foreseen by Technical Release 9. For example, maintenance or renovation  
22 contracts, historical maintenance records or a history of payment of invoices, minutes of  
23 meetings, historical data bases, surveys of land records, a history of past/historical practices  
24 (e.g., establishing de facto ownership), or other relevant sources of information may provide  
25 acceptable alternative evidence of government ownership.

## 26 **Proposed Definitions**

**Comment [DS68]:** Per 22 June meeting.

27 A45. As previously noted, the task force recommended that the current land classifications of  
28 SL and G-PP&E land be retained. Also, as a result of task force efforts to identify land use  
29 categories the Board believes that there is a need to (1) clarify the SL definition, (2) define  
30 held-for-disposal or exchange and (3) ~~define adopt illustrative definitions (non-authoritative)~~  
31 for the three land use categories (illustrated at Appendix B). The Board believes that these  
32 actions would help clarify existing requirements concerning the categorization and reporting  
33 of land and better reflect user needs.

34 A46. Stewardship Land – the current definition contained in SFFAS 29, at paragraph 33 reads  
35 as follows:

36 *Stewardship Land is land and land rights owned by the Federal Government*  
37 *but not acquired for or in connection with items of general PP&E. Examples of*  
38 *stewardship land include land used as forests and parks, and land used for*  
39 *wildlife and grazing.*  
40

41 It is the Board's opinion that the above definition can be improved by (1) noting that SL  
42 includes both public domain land and land subsequently acquired, (2) clarifying that in  
43 some cases, SL may in fact be acquired for or used in connection with G-PP&E such as  
44 SL used for military security or aircraft noise buffer zones, and (3) expanding the list of  
45 SL examples .

The proposed SL definition is as follows:

**Stewardship Land** - Stewardship Land is ~~includes both public domain and acquired~~ lands and land rights<sup>15</sup> owned by the Federal Government ~~intended to be held indefinitely, but not acquired for or in connection with~~<sup>16</sup> items of general ~~property, plant and equipment PP&E~~. Examples of stewardship land include land ~~reserved, managed, planned,~~ used ~~or acquired for~~<sup>16</sup> as forests and parks, and land used for wildlife and grazing.

**Comment [DS69]:** 31 July – all highlighted edits as a result of task Force review; Forest Service, Interior, and DoD provided input

1. ~~forests and parks,~~
2. ~~recreation and conservation,~~
3. ~~wildlife habitat and grazing,~~
4. ~~historic landmarks and/or to preserve pre-historic and historic structures (those listed on or eligible for listing on the National Register of Historic Places),~~
5. ~~multiple purposes to include revenue generation (for example, special use permits, mineral development activities and timber production),~~
6. ~~buffer zones for security, flood management, and noise and view sheds.~~

**FN15** - 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.

**FN16** - ~~"Used or Acquired for or in connection with" is defined as including (1) public land or acquired land used acquired with the intent to construct general PP&E and (2) 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. Land used or acquired for in connection with items of general PP&E but meeting the definition of stewardship land should be classified as stewardship land unless such land is not distinct or clearly identifiable. In such cases, classification as general PP&E would be appropriate.~~

A47. **Acres of Land Held-for-Disposal or Exchange** - Disposal authorities are generally designed to permit entities to dispose or exchange land that is no longer required for a federal purpose. Disposal authority might authorize an entity to sell or lease federal land to a state or municipal government or non-profit entity for educational or community development purposes. Additionally, disposal authority might authorize an entity to exchange federal land for non-federal land. Disposal includes conveyances of federal land not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.

A48. Consistent with the proposed acreage disclosure requirements, land held for disposal or exchange shall be disclosed in terms of physical units and acreage. The Board proposes the following definition:

Land (acres) is considered held-for-disposal or exchange when the entity has satisfied the legislative disposal authority requirements specific to the land in question. Disposal includes conveyances of federal land not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.<sup>FN</sup>

**Foot Note** - Entity decisions to identify and classify land as held for disposal or exchange often require public participation and diverse clearances such as environmental and economic impact studies, surveys, and appraisals.

A49. Conservation and Preservation (Fauna and Flora) - Consistent with the proposed acreage disclosure requirements, conservation and preservation land shall be disclosed in terms of physical units and acreage. The Board proposes the following ~~non-authoritative~~ definition:

Conservation and preservation although closely linked are distinct terms. Each term involves a certain type or degree of protection. Specifically, conservation is generally associated with the protection and proper use of natural resources whereas preservation is associated with the protection of buildings, objects, and landscapes from use.

The type of land uses activities that could be included in this sub-category are: wilderness/non-wilderness, wildlife, fish habitat, endangered species, critical environment, timber preservation, watershed and water resources, national forests, reserves, preserves, refuges, national parks, monuments, cemeteries, and recreation.

A50. ~~Military, Scientific, Nuclear, and Other Related Operational~~ - Consistent with the proposed acreage disclosure requirements, land in this sub-category shall be disclosed in terms of physical units and acreage. The Board proposes the following ~~non-authoritative~~ definitions:

For example, functions performed by entities:

- a. Military - to prepare for the effective pursuit of war and military operations short of war; to conduct combat, peacekeeping, and humanitarian military operations; and to support civilian authorities during civil emergencies.
- b. Scientific – to conduct and manage research, experimentation, exploration and operations to include the development of commercial capabilities. Broad scientific fields of study generally include (1) physical sciences (physics, astronomy, chemistry, geology, metallurgy), (2) biological sciences (zoology, botany, genetics, paleontology, molecular biology, physiology), and (3) psychological sciences (psychology, sociology, anthropology, economics).
- c. Nuclear – to manage or regulate the use of nuclear energy, power plants, radioactive materials, radioactive material shipments, and nuclear reactor decommissioning.
- d. Other Related – that are operational or administrative in nature. For example, land used for readiness and training, office building locations, storage or vacant.

The type of land uses activities that could be included in this sub-category are: military readiness, training, airfields, office building locations, power development and distribution, research and development, space exploration, storage, vacant facilities, outpatient healthcare, communication systems locations, flood control and navigation, housing and institutional.

A51. Commercial Use (Revenue to include In-Kind) – Consistent with the proposed acreage disclosure requirements, commercial use land shall be disclosed in terms of physical units and acreage. The Board proposes the following ~~non-authoritative~~ definition:

Land or land rights which are used to generate inflows of resources from non-federal third parties. Such inflows may arise from exchange or non-exchange activities and may or may not be considered dedicated collections. Some examples include revenue or inflows derived from:

- a. concession arrangements,
- b. grants for a specific project such as electric transmission lines, communication sites, roads, trails, fiber optic lines, canals, flumes, pipelines, and reservoirs.
- c. land sales or land exchanges,
- d. leases,
- e. permits for public use such as commercial filming and photography, advertising displays, crop harvesting, residential occupancy, recreation facilities, construction equipment storage, assembly yards, well pumps, and other such uses,
- f. public-private partnerships.

The type of land uses activities that could be included in this sub-category are: land disposal such as sales, leases, public-private partnerships, livestock grazing and herd managements, mining, oil, gas, and coal development, timber cutting and harvest and recreation.

## APPENDIX B: ILLUSTRATIONS

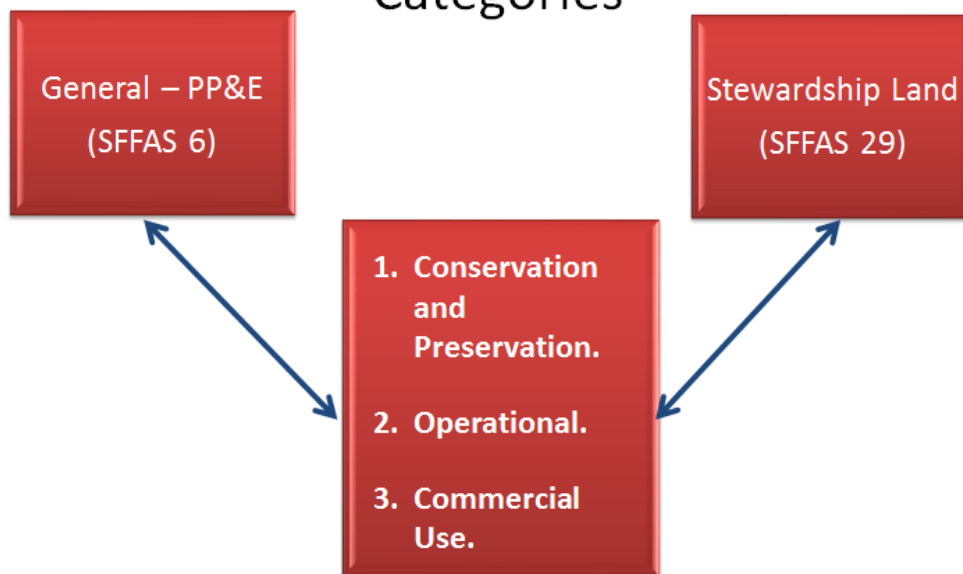
### Sub-Categorizing Land – Predicated on Predominant Land-use

This appendix illustrates the application of the provisions of this proposed Statement to assist in clarifying their meaning. The following illustrations are intended to aid in the application of the provisions proposed on pages 11 through 16.

The Board has noted the potential need to have additional ~~or broader (sub)-~~categories predicated on predominant land-use to complement the land categories currently in use which are based on initial intent at acquisition; SL and G-PP&E. An illustration demonstrating how the Board envisions the sub-categories complementing the existing requirements follows:

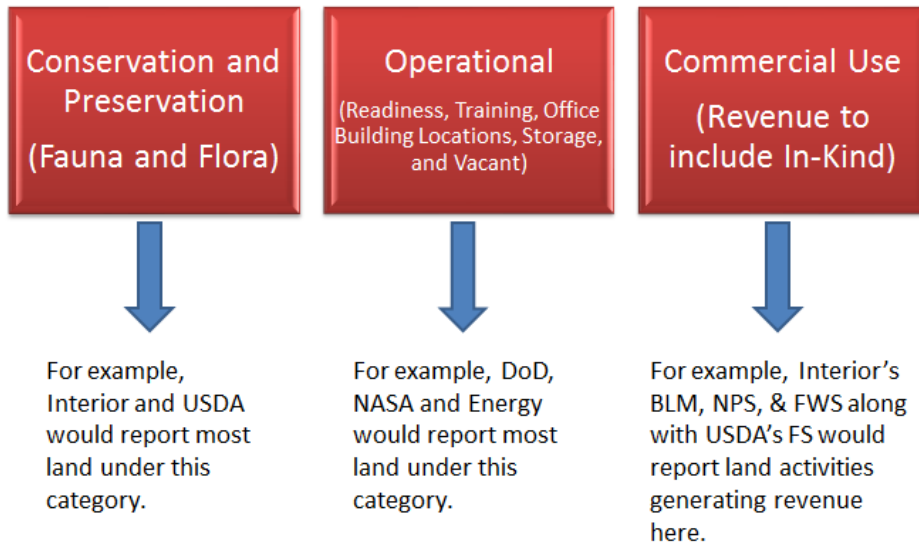
**Comment [DS70]:** Page numbering will be updated accordingly.

### Complementing Existing Land Categories



- 1 | The additional ~~or broader (sub)-~~categories follow:
- 2 | (1) **Conservation and Preservation** (Fauna and Flora)
- 3 | (2) ~~Military, Scientific, Nuclear, and Other Related~~Operational (Readiness and training,
- 4 | Office Building Locations, Storage and Vacant)
- 5 | (3) **Commercial Use** (Revenue to include In-Kind)

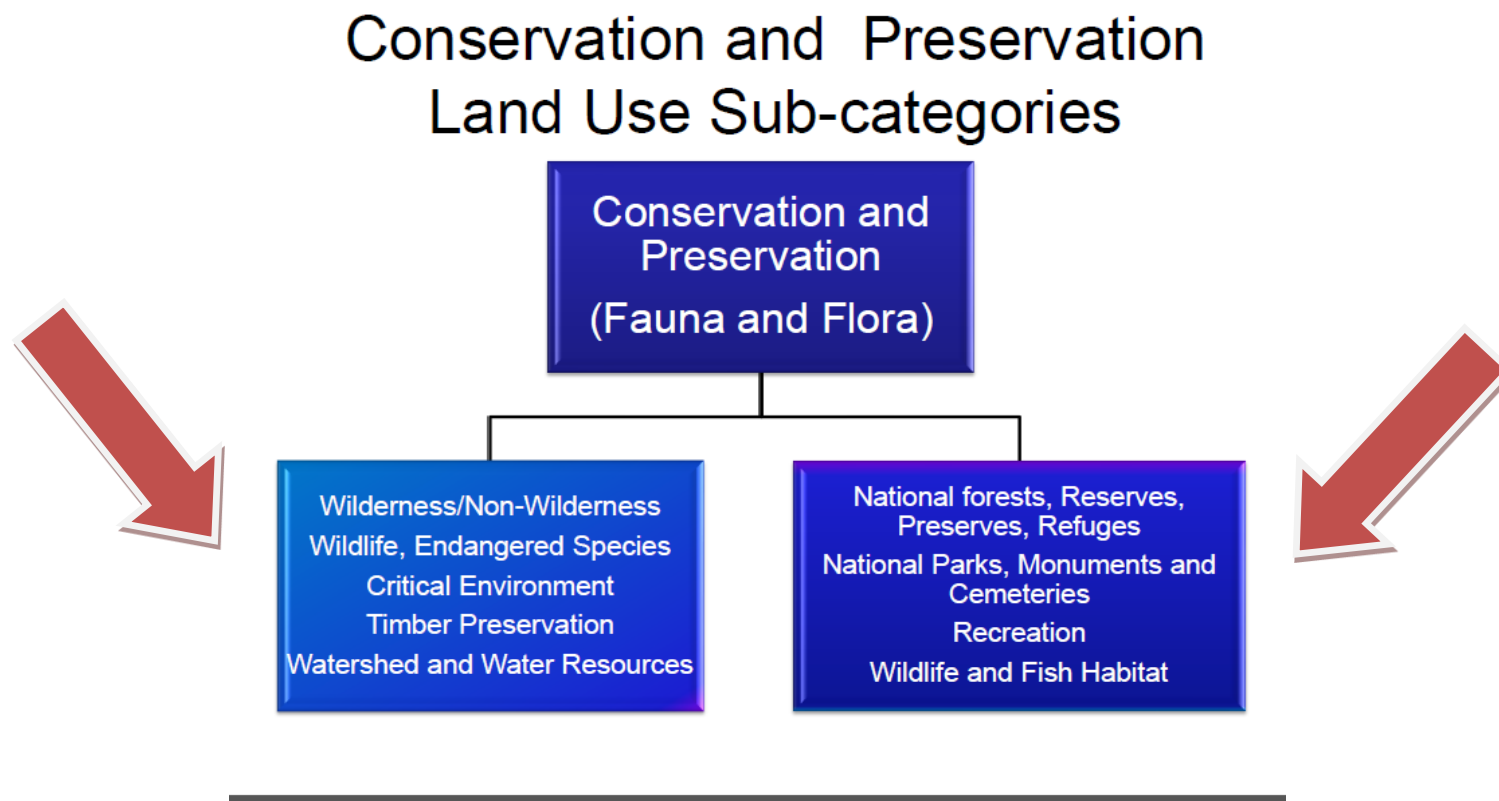
## Three Proposed NFI Land-Use Reporting Sub-categories



6

### Conservation and Preservation Land Use Sub-categories

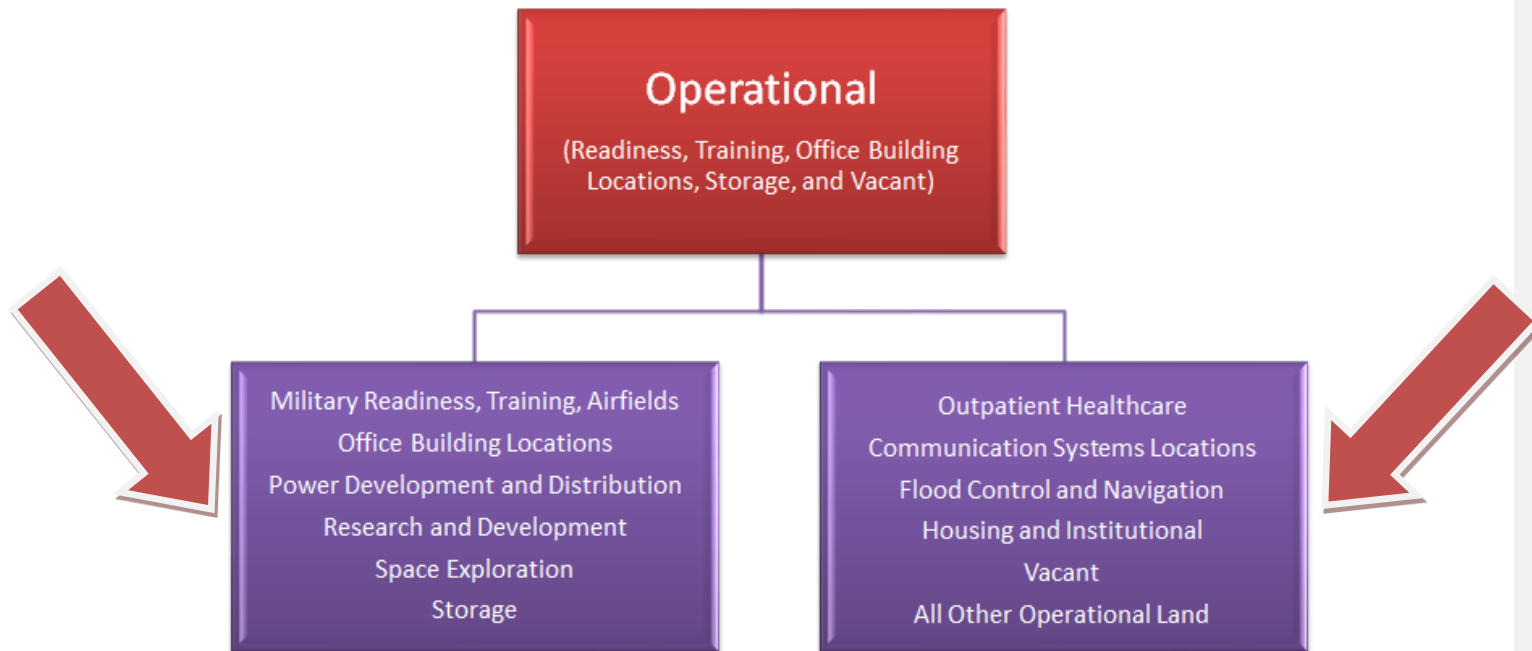
The following illustration shows what sub-categories or activities could be included within the Conservation and Preservation Land Use Category.



**~~Military, Scientific, Nuclear, and Other Related~~Operational Land Use Sub-categories**

The following illustration shows what sub-categories or activities could be included within the ~~Military, Scientific, Nuclear, and Other Related~~Operational Land Use Category.

## Operational Land Use Sub-categories

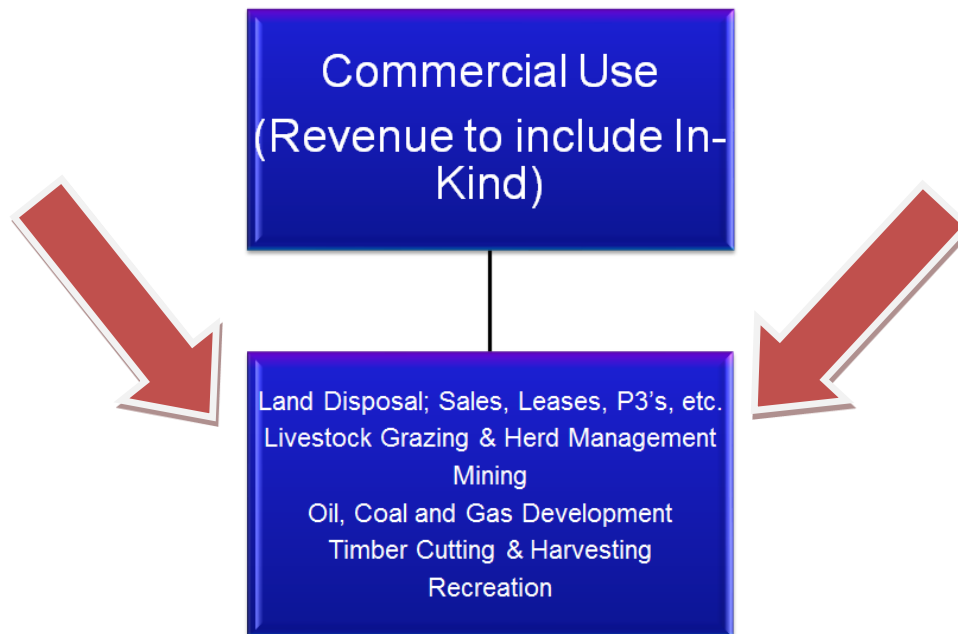




### Commercial Use Land Use Sub-categories

The following illustration shows what sub-categories or activities could be included within the Commercial Use Land Use Category.

## Commercial Use Land Use Sub-categories



## Sample Illustration: Appendix B: Consolidated Financial Report of the U.S. Government

Entity	Categorized by Purpose or Intent at Acquisition			Sub-categorized by Predominant Use				Explanatory Comments
	Stewardship Land Acres	General PP&E Land Acres	Total Land Acres	Conservation and Preservation	Operational	Commercial Use	Total Land Acres	
Department A	234,889,617	12,362,611	247,252,228	223,145,136	12,362,611	11,744,481	247,252,228	1
Department B	183,285,805	9,646,621	192,932,426	174,721,515	9,046,621	9,164,290	192,932,426	2
Agency 1	84,626,746	4,454,039	89,080,785	84,626,746	4,454,039	0	89,080,785	3
Agency 2	75,666,349	3,982,439	79,648,788	37,833,174	3,982,439	37,833,174	79,648,788	4
Bureau 1	5,871,628	8,528,076	14,399,704	5,871,628	6,396,057	2,132,019	14,399,704	5
Total	584,340,144	38,973,787	623,313,931	526,198,199	36,241,768	60,873,964	623,313,931	

### Explanatory Comments

- 1 - **Department A** has been granted authority to generate revenue on most of its SL. However, only 11.7 million acres is actively devoted to commercial use. SL which generates intermittent or insignificant revenues has been excluded because such land maintains its predominant use as conservation or preservation land.
- 2 - **Department B** has also been granted authority to generate revenue on some of its SL but it has also reclaimed 600,000 acres of its operational land for conservation or preservation purposes.
- 3 - **Agency 1** has not been granted any commercial use authority and operates under a strict mandate to preserve land under its care.
- 4 - **Agency 2** has been granted authority to generate revenue on all of its SL. However, only half or 37.8 million acres is actively devoted to commercial use at any point in time during the reporting period. Although the remaining half is eligible for commercial use it remains in a conservation status because revenues generated are intermittent or insignificant and do not meet the predominant use requirement.
- 5 - **Bureau 1** maintains buffer zones for national security purposes on land withdrawn from the public domain and also via acquisition from surrounding communities. It has been granted authority to lease, sell or otherwise dispose of operational land. One-quarter or 2.1 million acres of G-PP&E land is predominantly used for commercial purposes.

**Sample Illustration: Appendix B-1: G-PP&E Note Disclosure (Proposed amendment to SFFAS 6, paragraph 45)**

<u>Entity</u>	Categorized by Purpose or Intent at Acquisition	Sub-categorized by Predominant Use				<u>Explanatory Comments</u>
	General PP&E Land Acres	Conservation and <u>Preservation</u>	<u>Operational</u>	Commercial <u>Use</u>	Total Land Acres	
Agency 1	6,563,954	600,000	5,963,954	0	6,563,954	1
Bureau 1	2,219,324	0	2,219,324	0	2,219,324	2
Bureau 2	863,343	0	863,343	0	863,343	2
G-PP&E Total - Department B	9,646,621	600,000	9,046,621	0	9,646,621	

**Explanatory Comments**

1 - **Agency 1** has reclaimed 600,000 acres of its operational land for conservation/preservation purposes.

Although some of the agency's operational land generates commercial revenue, it is incidental to the land's predominant use and its reporting does not change.

2 - **Bureaus 1 and 2** maintain land strictly for operational purposes.

**Sample Illustration: Appendix B-2: SL Note Disclosure (Proposed amendment to SFFAS 29, paragraph 40(c))**

	<u>Entity</u>	Categorized by Purpose or Intent at Acquisition	Sub-categorized by Predominant Use				<u>Explanatory Comments</u>
		<u>Stewardship Land Acres</u>	<u>Conservation and Preservation</u>	<u>Operational</u>	<u>Commercial Use</u>	<u>Total Land Acres</u>	
	Agency 1	96,251,797	89,507,814	0	6,743,983	96,251,797	1
	Bureau 1	46,932,741	44,512,434	0	2,420,307	46,932,741	2
	Bureau 2	40,101,267	40,101,267	0	0	40,101,267	3
	SL Total - Department B	183,285,805	174,121,515	0	9,164,290	183,285,805	

**Explanatory Comments**

1 - **Although agency 1** has reclaimed 600,000 acres of its operational land for conservation/preservation purposes, the reclaimed land retains its G-PP&E distinction and is NOT added to the SL category.

The agency been granted authority to generate revenue on some of its SL and as a result, although some SL has been placed in an operational status to assist in this regard, such operational land is not considered to be a predominant use and is not re-categorized.

2 - **Bureau 1** has been granted authority to generate revenue on all of its SL and required to increase commercial uses where practical.

As a result, some SL has been placed in an operational status to assist in this regard and appropriately added to the existing Operational sub-catefory balance.

2 - **Bureau 2** maintains land strictly for conservation/preservation purposes. Any operational use of the land is incidental and is not considered to be predominant.

## APPENDIX C: ABBREVIATIONS

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AICPA	American Institute of Certified Public Accountants
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management (Department of Interior)
CFR	Consolidated financial report of the U.S. government
DOD	Department of Defense
DOE	Department of Energy
ED	Exposure draft
FASAB	Federal Accounting Standards Advisory Board
FRPC	Federal Real Property Council
FRPP	Federal Real Property Profile
FS	Forest Service (Department of Agriculture)
FWS	Fish and Wildlife Service (Department of Interior)
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GPP&E	General Property Plant and Equipment
NFI	Non-financial Information
NPS	National Park Service (Department of Interior)
OI	Other Information
OMB	Office of Management and Budget
PP&E	Property Plant and Equipment
RSI	Required Supplementary Information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
SL	Stewardship Land

## APPENDIX D: GLOSSARY

**Acres of Land Held for Disposal or Exchange** - For purposes of this standard, land (acres) is considered held-for-disposal or exchange when the entity has satisfied the legislative disposal authority requirements specific to the land in question. Disposal includes conveyances of federal land not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.

**Commercial Use**<sup>9</sup> (Revenue to include In-Kind) – land or land rights which are predominantly used to generate inflows of resources from non-federal third parties usually through special use permits, right-of-way grants, and leases. Such inflows may arise from exchange or non-exchange activities and may or may not be considered dedicated collections. Some examples include revenue or inflows derived from:

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

**Conservation and Preservation** (Fauna and Flora) - Land or land rights which are predominantly used for conservation or preservation purposes. Conservation and preservation although closely linked are distinct terms. Each term involves a certain type or degree of protection. Specifically, conservation is generally associated with the protection and proper use of natural resources whereas preservation is associated with the protection of buildings, objects, and landscapes from use.<sup>10</sup>

**~~Military, Scientific, Nuclear, and Other Related Operational~~** (Readiness and training, Office Building Locations, Storage and Vacant) – Land or land rights predominantly used for general or administrative purposes. For example, the following functions performed by entities would be included in this category:

**Comment [DS71]:** 31 July – all highlighted edits as a result of task Force review; Forest Service, Interior, DoD, External User, and an IPA provided specific input.

**Comment [DS72]:** 31 July – all highlighted edits as a result of task Force review; Forest Service, Interior, DoD, External User, and an IPA provided specific input.

<sup>9</sup> <https://www.blm.gov/programs/lands-and-reeley/> and <https://www.fs.fed.us/sites/default/files/usfs-fy18-budget-overview.pdf> and Congressional Research Service, 7-5700, [www.crs.gov](http://www.crs.gov) R43822

<sup>10</sup> <https://www.nps.gov/kigo/learn/education/classrooms/conservation-vs-preservation.htm>

**Military**<sup>11</sup> - to prepare for the effective pursuit of war and military operations short of war; to conduct combat, peacekeeping, and humanitarian military operations; and to support civilian authorities during civil emergencies.

**Scientific**<sup>12</sup> - to conduct and manage research, experimentation, exploration and operations to include the development of commercial capabilities. Broad scientific fields of study generally include (1) physical sciences (physics, astronomy, chemistry, geology, metallurgy), (2) biological sciences (zoology, botany, genetics, paleontology, molecular biology, physiology), and (3) **social** sciences (psychology, sociology, anthropology, economics).

**Nuclear**<sup>13</sup> - to manage or regulate the use of nuclear energy, power plants, radioactive materials, radioactive material shipments, **nuclear storage**, and nuclear reactor decommissioning.

**Other Related** - that are operational, administrative, **or other** in nature. For example, land used for readiness and training, office building locations, storage or vacant.

**Stewardship Land** - Stewardship Land is **includes both public domain and acquired lands and land rights**<sup>15</sup> owned by the Federal Government **intended to be held indefinitely. but not acquired for or in connection with**<sup>16</sup> **items of general property, plant, and equipment PP&E.** Examples of stewardship land include land **reserved, managed, planned, used or acquired for**<sup>16</sup> **as forests and parks, and land used for wildlife and grazing.**

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1. **forests and parks,**
2. **recreation and conservation,**
3. **wildlife habitat and grazing,**
4. **historic landmarks and/or to preserve pre-historic and historic structures (those listed on or eligible for listing on the National Register of Historic Places),**
5. **multiple purposes to include revenue generation (for example, special use permits, mineral development activities and timber production),**
6. **buffer zones for security, flood management, and noise and view sheds.**

**FN15** - 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.

**FN16** - **“Used or Acquired for or in connection with” is defined as including (1) public land or acquired land used acquired with the intent to construct general PP&E and (2) land acquired in combination with general PP&E, including not**

<sup>11</sup> REF: FASAB Appendix E

<sup>12</sup> REF: [https://www.nasa.gov/about/highlights/what\\_does\\_nasa\\_do.html](https://www.nasa.gov/about/highlights/what_does_nasa_do.html), and *Two Types of Science*, by Colin McGinn <http://www.oxfordscholarship.com/view/10.1093/acprof:oso/9780199841103.001.0001/acprof-9780199841103-chapter-9>

<sup>13</sup> <https://www.nrc.gov/reading-rm/basic-ref/students/what-is-nuclear-energy.html>

only land used as the foundation, but also adjacent land considered to be the general PP&E's common grounds. Land used or acquired for in connection with items of general PP&E but meeting the definition of stewardship land should be classified as stewardship land unless such land is not distinct or clearly identifiable. In such cases, classification as general PP&E would be appropriate.



### **Task Force Member Agencies**

Air National Guard, 113<sup>th</sup> Wing, Base Civil Engineer  
Department of Agriculture, U.S. Forest Service, Office of the CFO  
Department of Agriculture, U.S. Forest Service, Minerals and Geology  
Department of Defense, Office of the Secretary of Defense  
Department of Defense, Comptroller  
Department of Energy, Office of the CFO  
Department of the Interior, Fish and Wildlife Service  
Department of the Interior, Office of the Deputy CFO  
Department of the Interior, National Park Services  
Department of Labor, Office of the Inspector General  
Department of the Navy, Naval Facilities Engineering Command  
Department of State, Overseas Buildings Operations, Financial Management  
Department of the Treasury, Office of the Fiscal Assistant Secretary  
General Services Administration, Office of Financial Management  
Government Accountability Office, Financial Management and Assurance  
National Aeronautics and Space Administration, Office of the CFO

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Checco Communications  
Cotton and Company  
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