



## Federal Accounting Standards Advisory Board

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June 1, 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 H**<sup>1</sup>

#### MEMBER ACTIONS REQUESTED:

- Consider a draft proposal and open issues -- Attachment 1

### MEETING OBJECTIVE

The objective of this meeting will be 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 April 27, 2017 Board meeting, members reviewed February's Broad Options A and B and the incorporation of non-financial information (NFI) into the financial report. Specifically, members discussed the following major topics: (1) suspending the land the project, (2) balance sheet reporting, (3) land held-for-disposal, and (4) non-financial Information (NFI) Presentation.

After considering reasons for and against the suspension of the land project, members unanimously concluded and agreed that the land project should continue as scheduled. Members noted that budget uncertainties are insufficient reasons in and of themselves to suspend a project and that concerns over preparer burden are separate matters that can be addressed as the Board develops its standards.

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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.

Members generally agreed to adopt a “no balance sheet reporting of land” standard (to include not valuing land held-for-disposal); that is, a modified Broad Option A. Members noted the importance of having consistent accounting standards to help improve financial reporting of land and that any conceptual limitations can be addressed via the incorporation of NFI. As such, members believe that a modified Option A best addresses consistency while maintaining if not, improving reporting objectives.

Concerning NFI, members generally agreed with the 5 NFI data-points contained in Tab D but did not come to an agreement as to their placement. Some members made a case that all data-points should be presented as RSI whereas others preferred that broad acreage and unit count information be reported as basic information. Members generally agreed with the 3 Land Use Reporting categories and noted that predominant use would be reflected in the 3 categories and that the revenue generating data-point could in essence be folded into the Commercial Use category.

Staff was tasked with developing a draft Exposure Draft document for the next meeting.

## **NEXT STEPS**

Staff will revise the draft ED pursuant to June’s meeting and present a revised draft ED in August. Please note that when all content issues 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.

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## **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. Staff has prepared a draft Exposure Draft document that contains the following two major changes/clarifications to existing guidance:**

- a. Reclassifying General 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 SL.

**Question 1**

**Does the Board agree with the two major changes/clarifications contained in the draft ED? If you disagree with either the changes/clarifications proposed, what additional changes or revisions would you suggest?**

**2. Staff has identified four SFFAS<sup>2</sup> which require amendments:**

- SFFAS 6 - removing the requirement to report general property, plant, and equipment (G-PP&E) Land on the statement of financial position and clarifying expense recognition for Land and Land Rights,
- SFFAS 6 and SFFAS 29 - clarifying the categorization and reporting of land use,
- SFFAS 6 and SFFAS 29 - requiring broad acreage disclosure,
- SFFAS 6 and SFFAS 29 - requiring disclosure of acreage held-for-disposal,
- SFFAS 7 – to conform requirements relating to land transfers and donations to the amendments, and
- SFFAS 32 – establishing conforming amendments for entity-wide disclosure requirements.

**Question 2**

**Does the Board agree with the identified SFFAS' that staff proposes require revision? Are there any other SFFAS' requiring revision?**

<sup>2</sup> SFFAS 6, *Accounting for Property, Plant, and Equipment*, SFFAS 29, *Heritage Assets and Stewardship Land*, SFFAS 31, *Accounting for Fiduciary Activities*, and SFFAS 32: *Consolidated Financial Report of the United States Government Requirements, et al.*

## Questions for the Board

- 3. Staff proposes rescinding guidance regarding SL contained in Technical Release #9: *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land.***

Because the amendments contained in this proposed Statement either incorporate, clarify or supersede a significant part of SL guidance contained within Technical Release 9, such guidance pertaining to SL should be rescinded. Please note that Technical Release #9 would still retain guidance relating to Heritage Assets.

### Question 3

**Does the Board agree with rescinding Stewardship Land guidance contained within Technical Release 9? If not, please provide your rationale.**

- 4. 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 4

**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

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### 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

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## WHAT IS THE BOARD PROPOSING?

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To ensure consistent accounting treatment and reporting for land holdings while considering user information needs, the Board is proposing to (1) classify all land as a non-capitalized asset and (2) require consistent and uniform disclosures of information for all land (that is, land classified as general property, plant, and equipment and stewardship land).

This proposal would amend four Statements of Federal Financial Accounting Standards (SFFAS)<sup>1</sup>. The amendments (1) remove the requirement to report general property, plant, and equipment (G-PP&E) land on the statement of financial position, (2) clarify the categorization and reporting of land based on predominant use, (3) require acreage disclosure, and (4) require disclosure of acreage held-for-disposal.

Existing accounting standards provide for measurement and recognition of G-PP&E land<sup>2</sup> and the reporting of Stewardship Land (SL).<sup>3</sup> However, implementation of these requirements has resulted in significant differences in accounting treatment for land holdings.

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 assets to a form and condition suitable for use. However, recent amendments allow departments adopting SFFAS 6 for the first-time to exclude land and land rights. Those departments 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.

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

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

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<sup>1</sup> SFFAS 6, *Accounting for Property, Plant, and Equipment*; SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*; SFFAS 29, *Heritage Assets and Stewardship Land*; and SFFAS 32, *Consolidated Financial Report of the United States Government Requirements*.

<sup>2</sup> SFFAS 6: *Accounting for Property Plant and Equipment*; effective for periods beginning after September 30, 1997.

<sup>3</sup> SFFAS 29: *Heritage Assets and Stewardship Land*; full implementation became effective for periods beginning after September 30, 2008.

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

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4 Reporting of land enables the government to demonstrate accountability to citizens for general  
5 PP&E land and SL.

6 Of the four objectives outlined in Statement of Federal Financial Accounting Concepts (SFFAC)  
7 1, *Objectives of Federal Financial Reporting*, the operating performance and stewardship  
8 objectives are identified as being most important for land reporting.<sup>4</sup> Land reporting is important  
9 to meeting these objectives because the federal government is accountable to citizens for the  
10 proper administration of its resources. Because federal land is held on behalf of the American  
11 people and some argue “priceless”, it is likely the most “valuable” asset the government  
12 possess. Accordingly, land should be adequately disclosed in order to assist report users in  
13 determining: (a) how much land is managed, (b) how land is being predominantly used, and (c)  
14 the identification of the amount of land that is eligible for disposal.

15

### 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>4</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

1 The benefits of developing this Statement include but are not limited to:

- 2 a. Developing guidance that can be consistently applied and used by federal agencies,  
3 respectively.
- 4 b. Improving consistency so that information is comparable among agencies.
- 5 c. Disclosing information helpful in meeting the reporting objectives and qualitative  
6 characteristics.

7

8 The provisions of this Statement need not be applied to immaterial items. However, materiality  
9 should be applied cumulatively or in the aggregate by the entity. The determination of whether  
10 an item is material depends on the degree to which omitting or misstating information about the  
11 item makes it probable that the judgment of a reasonable person relying on the information  
12 would have been changed or influenced by the omission or the misstatement.

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## QUESTIONS FOR RESPONDENTS

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

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

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

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

19 Wendy M. Payne, Executive Director  
20 Federal Accounting Standards Advisory Board  
21 Mailstop 6H19  
22 441 G Street, NW, Suite 6814  
23 Washington, DC 20548

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

26

1 Q1. The Board proposes reclassifying General PP&E land as a non-capitalized asset with no  
2 dollar amounts reported on the balance sheet. For a detailed discussion and related  
3 explanation refer to paragraphs A10 through A21 in Appendix A; Basis for Conclusions.  
4 For the proposed revisions/amendments, refer to pages 11 through 13.

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

8  
9 Q2. To clarify existing requirements concerning the categorization and reporting of land, the  
10 Board proposes that land be reported in three categories based on predominant use:  
11 Conservation and Preservation; Military, Scientific, Nuclear and Other; and Commercial  
12 Use. For a detailed discussion and related explanation refer to paragraphs A10 through  
13 A13 and A22 through A25 in Appendix A; Basis for Conclusions. For an illustration of the  
14 three categories, refer to Appendix B. For the proposed revisions/amendments, refer to  
15 pages 11 through 13 (G-PP&E) and pages 14 through 16 (SL).

16  
17 **Do you agree or disagree that the above three categories would help clarify the**  
18 **existing requirements concerning the categorization and reporting of land? Also,**  
19 **do you believe they adequately address user needs? Please provide the rationale**  
20 **for your answer.**

21  
22 Q3. The Board believes that acreage and acres of land eligible for disposal should be  
23 included as additional specific disclosures. For a detailed discussion and related  
24 explanation refer to paragraphs A26 through A30 in Appendix A; Basis for Conclusions.  
25 For the proposed revisions/amendments, refer to pages 11 through 13 (G-PP&E) and  
26 pages 14 through 16 (SL).

27  
28 **Do you agree or disagree with the Board’s position that acreage and acres of land**  
29 **eligible for disposal be included as additional specific disclosures? Please**  
30 **provide the rationale for your answer.**

31  
32 Q4. The Board proposes that entities report this additional information (that is, requirement to  
33 categorize land, acreage and acres of land eligible for disposal) as a Note disclosure.  
34 For a detailed discussion and related explanation refer to paragraphs A31 through A33  
35 in Appendix A; Basis for Conclusions. For an illustration of the three categories, refer to  
36 Appendix B. For the proposed revisions/amendments, refer to pages 11 through 13 (G-  
37 PP&E) and pages 14 through 16 (SL).

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

1 Q5. The Board proposes rescinding guidance specific to SL contained within Technical  
2 Release 9: *Implementation Guide for Statement of Federal Financial Accounting*  
3 *Standards 29: Heritage Assets and Stewardship Land*. For a detailed discussion and  
4 related explanation refer to paragraph A38 in Appendix A; Basis for Conclusions. For  
5 the proposed revisions/amendments, refer to page 17 (SL).

6  
7 **Do you agree or disagree with the Board’s decision to rescind guidance specific**  
8 **to SL contained within Technical Release 9? Please provide the rationale for your**  
9 **answer.**

10

11 Q6. The Board encourages respondents to not only provide input concerning any and all  
12 aspects of the proposed changes, including whether concepts are sufficiently clear and  
13 the proposed effective date, but also other matters which may not have been specifically  
14 addressed in this exposure draft. In addition, the basis for conclusions explains the  
15 Board’s goals for this project (see comments beginning at paragraph A1) and also  
16 discusses other issues raised by task force members as well as experts and  
17 practitioners both within and external to government (as an example, see paragraphs  
18 A10 through A17).

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

# PROPOSED STANDARDS

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## SCOPE

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1. 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.

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2. This Statement addresses all federal land (G-PP&E and SL). Accordingly, this Statement revises:

11

a. SFFAS 6, *Accounting for Property, Plant, and Equipment*.

12

b. SFFAS 29, *Heritage Assets and Stewardship Land*.

13

14

c. Conforming amendments re: G-PP&E to SFFAS 32, *Consolidated Financial Report of the United States Government Requirements: et al*.

15

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d. Conforming amendments to SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

17

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19

e. Rescinding guidance re: SL to Technical Release #9: *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*.



1 AMENDMENTS TO SFFAS 6, ACCOUNTING FOR PROPERTY, PLANT, AND  
2 EQUIPMENT

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3 3. This paragraph amends SFFAS 6 to clarify land and land rights to be included in the G-  
4 PP&E category.

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

6 Land and land rights acquired for or in connection with other general  
7 PP&E<sup>29</sup> ~~shall be included in~~ considered ~~general PP&E for purposes of~~  
8 ~~disclosure but will not be capitalized on the balance sheet. General~~  
9 ~~PP&E land should have one or more of the characteristics identified in~~  
10 ~~paragraph 23. General PP&E land should exclude land designated as a~~  
11 ~~national park, forest, wildlife refuge, or other preservation area, unless~~  
12 ~~the reporting entity made the election to implement the provisions of~~  
13 ~~paragraph 40.f.i.. In some instance, general PP&E may be built on~~  
14 ~~existing Federal lands. In this case, the land cost would often not be~~  
15 ~~identifiable. In these instances, general PP&E shall include only land~~  
16 ~~and land rights with an identifiable cost that was specifically acquired for~~  
17 ~~or in connection with construction of general PP&E.~~

18 FN 29 - 29~~“Acquired for or in connection with other general~~  
19 ~~PP&E” is defined as land acquired with the intent to construct~~  
20 ~~general PP&E and land acquired in combination with general~~  
21 ~~PP&E, including not only land used as the foundation, but also~~  
22 ~~adjacent land considered to be the general PP&E’s common~~  
23 ~~grounds.~~

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

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

29 4. This paragraph amends SFFAS 6 to change asset and expense recognition for land and  
30 land rights.

31 a. Revise paragraph 26 as follows:

32 26. All general PP&E, excluding land and land rights, shall be recorded at cost.  
33 Although the measurement basis for valuing general PP&E remains historical cost,  
34 reasonable estimates may be used to establish the historical cost of general PP&E, in  
35 accordance with the asset recognition and measurement provisions herein. Cost shall  
36 include all costs incurred to bring the PP&E to a form and location suitable for its  
37 intended use. For example, the cost of acquiring property, plant, and equipment may  
38 include: [no changes to the list that follows]

39 b. Revise paragraph 29 as follows:

1 29. The cost of general PP&E acquired under a capital lease shall be equal to the  
2 amount recognized as a liability for the capital lease at its inception (i.e., the net present  
3 value of the lease payments calculated as specified in the liability standard unless the  
4 net present value exceeds the fair value of the asset). No adjustment should be made  
5 to exclude the net present value related land or land rights included in capital leases.

- 6 c. Insert a new paragraph following the heading “Expense Recognition” and before  
7 existing paragraph 35 as follows:

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

- 17 d. Amend existing paragraph 35 and footnotes 41 and 42 as follows:

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

23 FN 41 - Software ~~and land~~ [See SFFAS 10 for standard  
24 regarding internally developed software] and software rights,  
25 while associated with tangible assets, may be classified as  
26 intangible assets by some entities.

27 FN 42 - ~~Land rights that are for a specified period of time shall~~  
28 ~~be depreciated or amortized over that time period.~~

- 29 e. The first bullet in paragraph 45 is amended as follows:

- 30 • the cost (excluding land), associated accumulated depreciation, and book  
31 value by major class;

- 32 5. This paragraph amends SFFAS 6 to require acreage and physical unit disclosure and clarify  
33 the categorization and reporting of land use by adding two new bullets (second and last) are  
34 inserted at paragraph 45:

- 35 a.

- 36 • Second bullet - for G-PP&E land, acreage and physical unit  
37 information categorized by its predominant use using the following  
38 three categories as appropriate: (1) Conservation and Preservation

1 (Fauna and Flora) (2) Military, Scientific, Nuclear, and Other  
2 Related (Readiness and training, Office Building Locations, Storage  
3 and Vacant), and (3) Commercial Use (Revenue to include In-Kind).

- 4 • Last bullet - Transfers of stewardship land and general PP&E land  
5 from one Federal entity to another, does not affect the net cost of  
6 operations or net position of either entity. In this instance, the  
7 transferring entities should properly adjust for acreage and physical  
8 unit disclosures.

9 6. This paragraph amends SFFAS 6 to require disclosure of acreage and physical unit  
10 information for land held-for-disposal by amending paragraph 45 by adding a bullet as  
11 follows:

- 12 • for G-PP&E land, the amount of acreage and physical unit  
13 information held for disposal.

1 AMENDMENTS TO SFFAS 29, HERITAGE ASSETS AND STEWARDSHIP  
2 LAND

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

5 a. Paragraph 33 and related footnotes are amended as follows:

6 Stewardship Land is land and land rights<sup>15</sup> owned by the Federal Government but not  
7 ~~acquired for or in~~ **used in** connection with<sup>16</sup> items of general PP&E. Examples of  
8 stewardship land include land used as forests and parks, and land used for wildlife and  
9 grazing.

10 Footnote 15<sup>15</sup> Land rights are interests and privileges held by the entity in land owned by  
11 others, such as leaseholds, easements, water and water power rights, diversion rights,  
12 submersion rights, rights-of-way, mineral rights, and other like interests in land.

13 Footnote 16<sup>16</sup> ~~“Acquired for or~~ **Used** in connection with” is defined as including land ~~acquired~~  
14 ~~held~~ with the intent to construct general PP&E and land acquired in combination with  
15 general PP&E, including not only land used as the foundation, but also adjacent land  
16 considered to be the general PP&E's common grounds.

17 b. Paragraph 35 is amended as follows:

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

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

24 Transfers of stewardship land **and general PP&E land** from one  
25 Federal entity to another, does not affect the net cost of operations or  
26 net position of either entity. ~~However, in some cases, land included in~~  
27 ~~general PP&E may be transferred to an entity for use as stewardship~~  
28 ~~land. In this instance, the transferring entity~~ **entities** should **properly**  
29 **adjust for acreage and physical unit disclosures** ~~recognize a transfer-~~  
30 ~~out of capitalized assets.~~<sup>20</sup>

31 FN 20 - ~~SFFAS 7, Accounting for Revenue and Other Financing~~  
32 ~~Sources, par. 74 and par. 345-346.~~ [STAFF NOTE: SFFAS 7 should be  
33 amended to conform to the new requirements regarding transfers and  
34 donations of land. Conforming amendments will be offered with the  
35 next draft ED.]

36 8. This paragraph amends SFFAS 29 to require acreage disclosure and improve the  
37 categorization and reporting of land use.

- 1 a. The first sentence in paragraph 40 is amended as follows:
- 2 Entities with stewardship land should reference a note<sup>21</sup> on the balance sheet that  
3 discloses information to include acreage about stewardship land, but no asset dollar  
4 amount should be shown.
- 5 b. Paragraph 40(c) is amended as follows:
- 6 A concise description and acreage amounts for of each major category of stewardship  
7 land use. Where parcels of land have more than one use, the predominant use of the  
8 land should be considered the major use. In cases where land has multiple uses, none  
9 of which is predominant, a description of the multiple uses should be presented. The  
10 appropriate level of categorization and acreage amounts of stewardship land use  
11 should be ~~meaningful and determined by the preparer based on the entity's mission,~~  
12 ~~types of stewardship land use, and how it manages the assets~~ categorized by its  
13 predominant use using the following three categories as appropriate: (1) Conservation  
14 and Preservation (Fauna and Flora) (2) Military, Scientific, Nuclear, and Other Related  
15 (Readiness and training, Office Building Locations, Storage and Vacant), and (3)  
16 Commercial Use (Revenue to include In-Kind).
- 17 c. Paragraph 40(d) is amended as follows:
- 18 Stewardship land should be quantified in terms of physical units and acreage amounts.  
19 The appropriate level of aggregation ~~and physical units of measure~~ for each major  
20 category of stewardship land use should be in accordance with the three categories  
21 specified at paragraph 40(c) above. ~~meaningful and determined by the preparer based~~  
22 ~~on the entity's mission, types of stewardship land use, and how it manages the assets.~~  
23 For each major category of stewardship land use the following should be reported:
- 24 1. The number of physical units and acreage amounts by major category of  
25 stewardship land use for which the entity is the steward as of the end of the  
26 reporting period;
- 27 2. The number of physical units and acreage amounts by major category of  
28 stewardship land use that were acquired and the number of physical units and  
29 acreage amounts by major category of stewardship land use that were withdrawn  
30 during the reporting period; and
- 31 3. A description of the major methods of acquisition and withdrawal of  
32 stewardship land during the reporting period. This should include disclosure of  
33 physical units and acreage amounts (by major category of stewardship land use)  
34 of transfers of stewardship land between Federal entities and the number of  
35 physical units and acreage amounts (by major category of stewardship land use)  
36 of stewardship land acquired through donation or devise, if material. In addition,  
37 the fair value of stewardship land acquired through donation or devise during the  
38 reporting period should be disclosed, if known and material.
- 39 d. The U.S. government-wide financial statement disclosures at paragraphs 42(b) and  
40 42(c) are amended as follows:

1 42(b) A description, categorization and acreage amounts of the predominant uses of  
2 the stewardship land of the Federal Government.

3 42(c) A general reference to agency reports for additional information about  
4 stewardship land, such as agency stewardship policies for stewardship land, and  
5 physical units and acreage amounts by major categories of stewardship land use.

6 9. This paragraph amends SFFAS 29 to require disclosure of acreage held-for-disposal.

7 a. Adding a new sub-paragraph (number 4) at paragraph 40(d) as follows:

8 4. The amount of physical units and acreage held for disposal.

9

## 10 AMENDMENTS TO SFFAS 32: CONSOLIDATED FINANCIAL REPORT OF 11 THE UNITED STATES GOVERNMENT REQUIREMENTS

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

15 General Property, Plant, and Equipment

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

18 a. broad description of **general** PP&E,

19 **b. number of acres categorized by predominant use using the following three categories**  
20 **as appropriate: (1) Conservation and Preservation (Fauna and Flora) (2) Military,**  
21 **Scientific, Nuclear, and Other Related (Readiness and training, Office Building**  
22 **Locations, Storage and Vacant), and (3) Commercial Use (Revenue to include In-Kind).**

23 **c. the cost (excluding land), associated accumulated depreciation, and book value by**  
24 **major class, and**

25 **d. a general reference to component entity reports.**

26

## 27 AMENDMENTS TO SFFAS 7: ACCOUNTING FOR REVENUE AND OTHER 28 FINANCING SOURCES AND CONCEPTS FOR RECONCILING BUDGETARY 29 AND FINANCIAL ACCOUNTING

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30 11. To be provided in the next draft: Amendments to guidance regarding transfers and  
31 donations of land.

32

1 AMENDMENTS TO TECHNICAL RELEASE 9: IMPLEMENTATION GUIDE  
2 FOR STATEMENT OF FEDERAL FINANCIAL ACCOUNTING STANDARDS  
3 29: HERITAGE ASSETS AND STEWARDSHIP LAND

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4 12. Rescinding guidance specific to Stewardship Land.

5 EFFECTIVE DATE

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

8

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The provisions of this Statement need not be applied to immaterial items.
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## APPENDIX A: BASIS FOR CONCLUSIONS

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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

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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 include 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 provided in a note.

A7. Early in its deliberations the Board was clear that forthcoming guidance must be consistently applied and directed staff to ensure that options, along with associated benefits and drawbacks, be considered. In particular, the Board asked staff to consider user information needs; explore and identify what information agencies use to manage land; identify types of information, such as acreage, that would help demonstrate the government's stewardship and accountability over federal lands; address whether land held



1 for disposal (for example, sale, public-private partnerships, donated to state and local  
2 governments) should be valued; and consider whether a uniform land accounting policy is a  
3 viable option given initial agency and task force feedback that current land classifications of  
4 stewardship land (SL) and general property, plant and equipment (G-PP&E) land be  
5 retained.

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

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

20

## 21 **User Needs**

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

25 A11. Citizen-users tend to want understandable financial information which is verified or  
26 audited so that they can participate in the democratic process and engage in discussions  
27 about the nation's finances. They are generally interested in the federal government's  
28 financial health, how it uses its resources, and what was accomplished with the funds  
29 provided. In particular, citizens want to know about the federal government's assets and  
30 liabilities, specific agency or program results, and whether funds are used for their intended  
31 purpose and not wasted. Citizens also rely on financial reporting to support their varied work  
32 through the use of financial statement amounts as control totals and disclosures for added  
33 contextual understanding. Specific to land, citizen users desire transparency over how much  
34 land an entity manages and its use. For example, in FASAB's 2010 User Needs Survey a  
35 citizen specifically asked about the amount of revenue that could be raised from the federal  
36 taxation of land values and mineral rights.

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<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 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.

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

17 A13. Partially to encompass Congress' wide range of responsibilities, congressional users  
18 tend to seek timely, easy to understand financial information to address particular issues  
19 about a variety of responsibilities. In so doing, they can monitor the federal government's  
20 activities and determine policies. Also, Congress routinely seeks information about the  
21 budgetary effect of legislative proposals on the budget and the cumulative effects of  
22 legislation. Congress uses many sources to obtain the information it needs such as  
23 obtaining the information directly from agencies and utilizing legislative support  
24 organizations, i.e., the Government Accountability Office, Congressional Budget Office, and  
25 Congressional Research Service. To obtain this "specialized" financial information,  
26 Congress may conduct hearings, make requests for data from the agency or rely on  
27 legislative support organizations and other sources. According to some, Congress requires  
28 over 5,000 annual reports from agencies and the trend is toward more reports rather than  
29 less. Specific to land, Congressional interest is evident in three broad areas: (1)  
30 identification of federal land and the resources managed by agencies, (2) revenues  
31 generated from selected activities on federal land, and (3) federal land subject to selected  
32 land use designations.

33

34 **Preparer Burden**

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

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

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<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.

1 v. Lack of senior level management support

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

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

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

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

24  
25 **Land Valuation**

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

35 A19. In considering preparer burden in light of user needs and financial reporting objectives,  
36 the Board is guided by two overarching principles - consistency and accountability. In  
37 evaluating these principles, the Board believes that both can be satisfied either from  
38 financial display or non-financial information (NFI) perspectives.

39 A20. To that end, because it appears that historical cost information is not useful to the  
40 majority of users and that the majority of the task force and users believe that the reporting  
41 of land is currently deficient, the Board considered alternate measurement attributes such as  
42 fair value and value-in-use. Although fair value was considered to be of high relevance,  
43 requiring all federal land to be fair valued would be unduly burdensome to entities and cost

1 prohibitive. Many entities do not have the internal expertise or systems in-place to make  
2 such measurements and would therefore be required to engage outside experts.  
3 Additionally, because of the limited shelf-life of appraisals, frequent re-measurements would  
4 be required. Regarding value-in-use measurements, the Board determined that because  
5 such measurements are entity specific, applying such a measurement attribute to land  
6 would undermine consistency.

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

10

### 11 **Land Use – Categorizing Land Consistently**

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

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

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

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

34

### 35 **Discrete NFI Data-Points**

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

1 assessments of entity performance. As such, it believes that this can be best accomplished  
2 from an NFI perspective.

3 A27. Five non-financial information data-points were initially developed as a result of the task  
4 force's evaluation of the types of information that should be reported. The NFI Data-points  
5 along with reasons they were included follow:

- 6 i. Acreage – without acreage, any financial information on land becomes less  
7 meaningful and much more limited in value. Also seen as critical to meeting the  
8 reporting objectives. Of all the data-points reviewed, acreage received the highest  
9 score from the task force for presentation as a note disclosure. Benefits are  
10 expected to exceed costs.
- 11 ii. Held (eligible) for Disposal - valuing and reporting on land held for disposal would  
12 have a positive effect on Operating Performance, Stewardship and Systems and  
13 Controls. Also, it would increase accountability and transparency. The task force  
14 awarded this data-point a high score for presentation as a note disclosure.  
15 However, an equal score (number) was awarded for non-inclusion as NFI. Overall,  
16 benefits are expected to exceed costs.
- 17 iii. Predominant Use - useful information for academic or commercial analyses of  
18 public land that would allow for more uses of financial statement information. Also,  
19 increases comparability in land reporting across agencies. The task force awarded  
20 this data-point a high score for presentation as RSI. Benefits are expected to  
21 exceed costs.
- 22 iv. Revenue-generating Land - essential information for analyses of public land options  
23 and needed for transparency and visibility to understand Federal revenues reported  
24 in the financials. This is a key area of congressional interest as reported by GAO.  
25 Also, would allow for more uses of financial statement information and would make  
26 connecting land acreage and value to other entries in the financials more  
27 straightforward. The task force awarded this data-point a high score for presentation  
28 as RSI. Benefits are expected to exceed costs.
- 29 v. Unit count information - value of this information increases significantly when  
30 combined with acreage and any one of the other above “favored” data-points. The  
31 task force awarded this data-point a high score for presentation as a note  
32 Disclosure. However, an equal score (number) was awarded for non-inclusion as  
33 NFI. Overall, benefits are expected to exceed costs.

34  
35 A28. In reviewing the five NFI data-points the Board determined that acreage and land (acres)  
36 eligible for disposal should be included as additional specific disclosures. It is the Board's  
37 opinion that acreage is the common denominator among preparers and users. Providing  
38 acreage would address criticisms and help meet stewardship, accountability and  
39 transparency concerns. That is, financial information (historical cost) on land thus far  
40 provided to users without acreage information has been less meaningful to users.

41 A29. The Board agrees that valuing and reporting land held for disposal would have a positive  
42 effect on the reporting objectives. As borne out by the task force's research into this area,  
43 citizen users are keenly interested in how an entity uses its land and desire greater  
44 transparency. Moreover, congressional users are also interested in how much land an

1 entity manages and how it is used, revenues generated from selected activities on land, and  
2 land subject to selected land use designations to also include potential disposal.

3 A30. Given the fact that the Board is inclined to not require land to be valued (that is,  
4 measured or recognized) on the balance sheet, information on acreage and land (acres)  
5 held (eligible) for disposal along with the other NFI proposals contained herein would allow  
6 entities to continue meeting the reporting objectives and best meet users' needs.

## 7 8 **Determining Where Information Should Reside**

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

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

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

36 i. Revenue generating – although it was recommended that this data-point be  
37 considered a distinct and separate element for reporting, the Board believes  
38 that it can be satisfactorily reported under the umbrella of the predominant  
39 use disclosure. Specifically, because (1) information regarding revenue  
40 generating land reflects a land (resource) use and (2) SFFAS 29 requires  
41 use information to be reported as basic information, the Board believes this  
42 data-point should be a predominant use disclosure. That is, such disclosure  
43 can be accomplished by categorizing revenue generating land under the

1 Commercial Use category. The Board believes that this is essential  
2 information for analyses of public land options and needed for transparency  
3 and visibility to understand Federal revenues reported in the financials. Also,  
4 this allows for more uses of financial statement information and would make  
5 connecting land acreage and value to other entries in the financials more  
6 straightforward. Lastly, the GAO and task force have noted that information  
7 pertaining to revenues generated from federal land is important to Congress  
8 as well as other users.

9 b. Acreage – without acreage, any financial information on land becomes less meaningful  
10 and much more limited in value. Given the fact that the Board is inclined to not require  
11 land to be measured or recognized on the balance sheet, this information should be  
12 subjected to the same audit scrutiny that would otherwise accompany financial  
13 information. Therefore, the Board believes that this NFI data-point should be reported  
14 as basic information in order to continue meeting the reporting objectives.

15 c. Land Held (eligible) for Disposal – the Board agrees that valuing and reporting on land  
16 held for disposal would have a positive effect on the reporting objectives. However, to  
17 be consistent with its position to not require recognition or measurement of land on the  
18 balance sheet, the Board proposes that this NFI data-point be reported as basic  
19 information. Furthermore, the Board believes that this information increases  
20 accountability and transparency and should be reported as basic information.

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

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

28

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

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

42 A35. Although some on the task force noted that a uniform land category would in theory  
43 simplify reporting, others were concerned that the existing distinction between G-PP&E and

1 SL would be lost. Also, some argued that such an approach would affect current  
2 measurement and recognition requirements primarily with SL with no perceived benefits. To  
3 explore the matter further, the task force analyzed two primary federal sources that address  
4 land use designations for federal lands: (1) *Federal Real Property Inventory Reporting from*  
5 *the General Services Administration (GSA)* and (2) a Government Accountability Office  
6 (GAO) report entitled *Federal Land Management: Availability and Potential Reliability of*  
7 *Selected Data Elements at Five Agencies* (2011). The GSA reporting guidelines currently  
8 identify 24 (plus “all other”) discrete land-use designations and the GAO report examined 57  
9 discrete land and resource data elements collected by five federal agencies; Forest Service  
10 (USDA) and Interior’s Bureau of Land Management (BLM), Fish and Wildlife Service (FWS),  
11 National Park Service (NPS), and Bureau of Reclamation and Department of Defense  
12 (DOD).

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

25 A37. The Board is proposing to adopt these three broad areas of land use. In addition, the  
26 Board is proposing to refine the distinction between general PP&E land and SL. Rather than  
27 basing classification on intentions at the time of acquisitions (which may have been many  
28 decades ago), the Board proposes to make the distinction based on actual use during the  
29 reporting period.

30

### 31 **Other Conforming Revisions**

32 A38. In order to ensure consistency between component unit reporting and the government-  
33 wide disclosure requirements, conforming amendments to SFFAS 32, *Consolidated*  
34 *Financial Report of the United States Government Requirements*, are required. Additionally,  
35 because the amendments contained in this proposed Statement either incorporate, clarify or  
36 supersede a significant part of SL guidance contained within Technical Release 9:  
37 *Implementation Guide for Statement of Federal Financial Accounting Standards 29:*  
38 *Heritage Assets and Stewardship Land*, such guidance pertaining to SL should be  
39 rescinded. Conforming amendments to SFFAS 7, *Accounting for Revenue and Other*  
40 *Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, are  
41 also proposed. SFFAS 7 provides guidance regarding transfers and donations of land.

42 A39. In addition to federally-owned lands, some agencies hold land in trust (fiduciary land).  
43 Most notable is the tribal lands held in trust by the Bureau of Indian Affairs (BIA), The Board  
44 considered whether land held in trust should be addressed through these amendments and  
45 decided that doing so would require significantly more research. Research areas include (1)



1 the effectiveness of existing requirements, (2) consultation with users including trust  
2 beneficiaries, (3) appropriateness of federal financial reporting objectives, and (4) the costs  
3 and benefits of expanding fiduciary activity reporting.

4 A40. SFFAS 31 (effective in FY2009) applies to land held in fiduciary activities. It requires  
5 federal entities to distinguish the information relating to fiduciary activities of the federal  
6 entity from all other activities of that federal entity. Fiduciary assets will not be recognized on  
7 the balance sheet. Instead, a note disclosure providing the following information about its  
8 fiduciary activities is required:

9 a. An explanation of the nature of the fiduciary relationship,

10 b. A schedule of fiduciary net assets, and

11 c. A schedule of fiduciary activity.

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

20 A42. Including amendments to reporting for land managed through fiduciary activities in the  
21 scope of this project might be expected. However, the issues are broader, reporting  
22 objectives are potentially different, and the stakeholders are different than those for federally  
23 owned land. Also, there may be factors regarding land use and management that should be  
24 considered before determining the most appropriate information (including categorization) to  
25 report given the cooperative arrangements between beneficiaries, such as tribal  
26 governments, and federal reporting entities, such as the BIA. Also, the cost-benefit of  
27 expanding the fiduciary activities disclosures should be considered; costs and benefits may  
28 differ from those regarding federally-owned land.

29

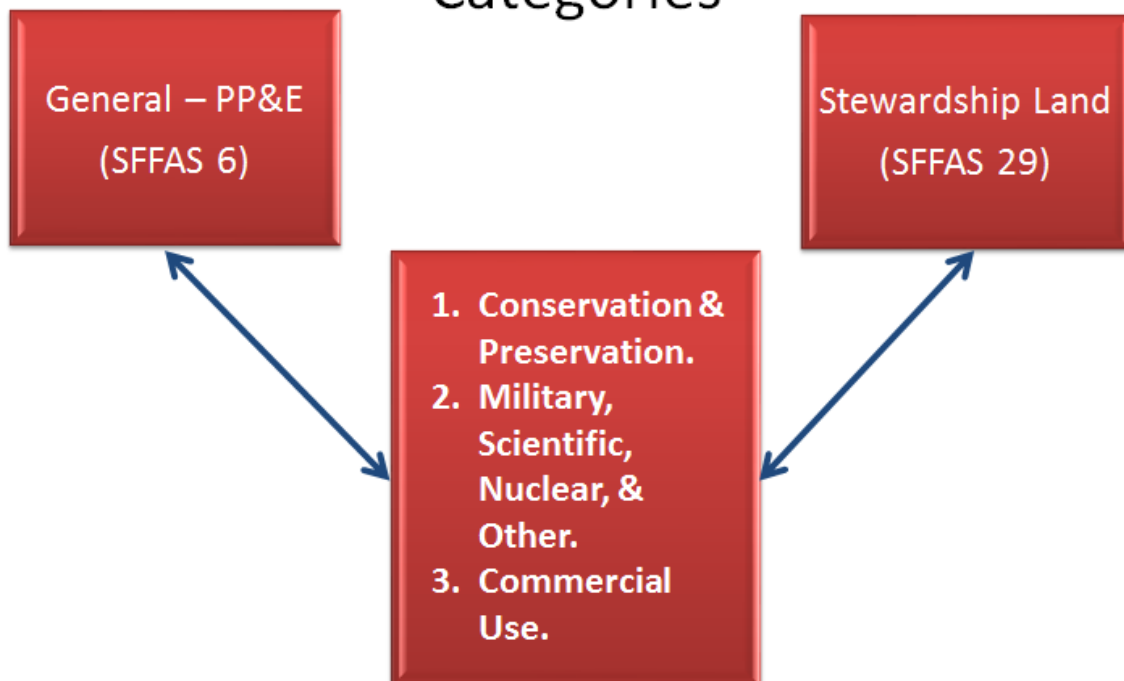
## APPENDIX B: ILLUSTRATIONS

### 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.

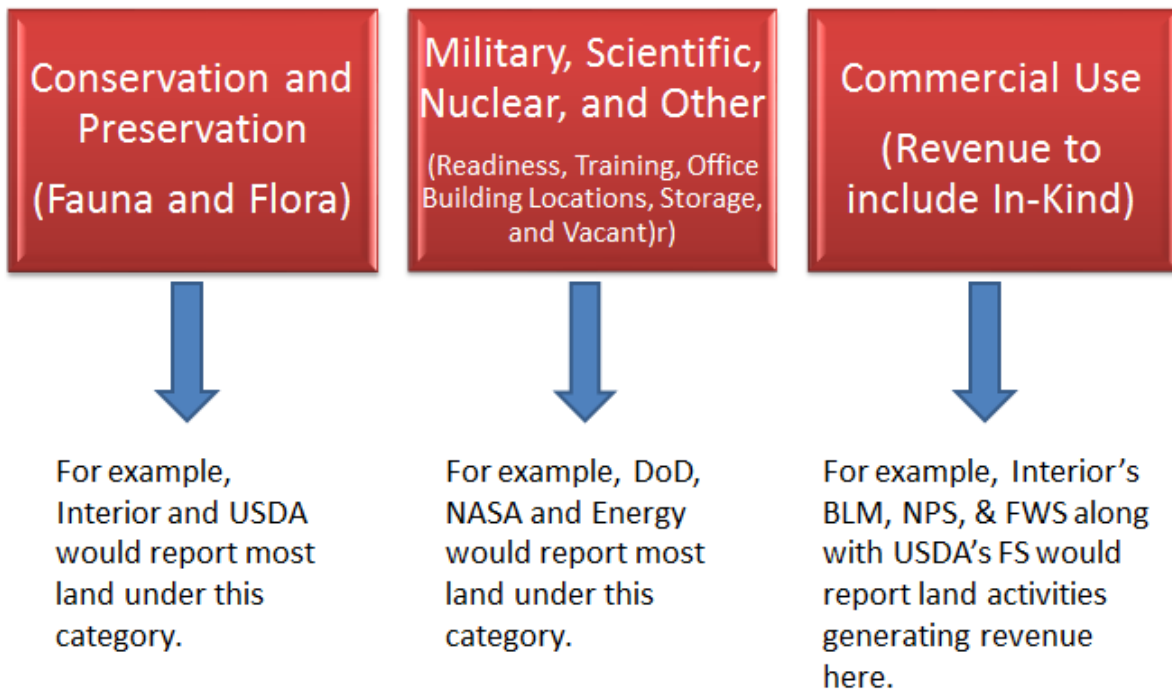
The Board has noted the potential need to have additional or broader (sub) categories predicated on land-use to complement the land categories currently in use; SL and G-PP&E. An illustration demonstrating how the Board envisions the sub-categories complementing the existing requirements follows:

### 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** (Readiness and training, Office Building
- 4 Locations, Storage and Vacant)
- 5 (3) **Commercial Use** (Revenue to include In-Kind)
- 6

## Land-Use Reporting Sub-categories

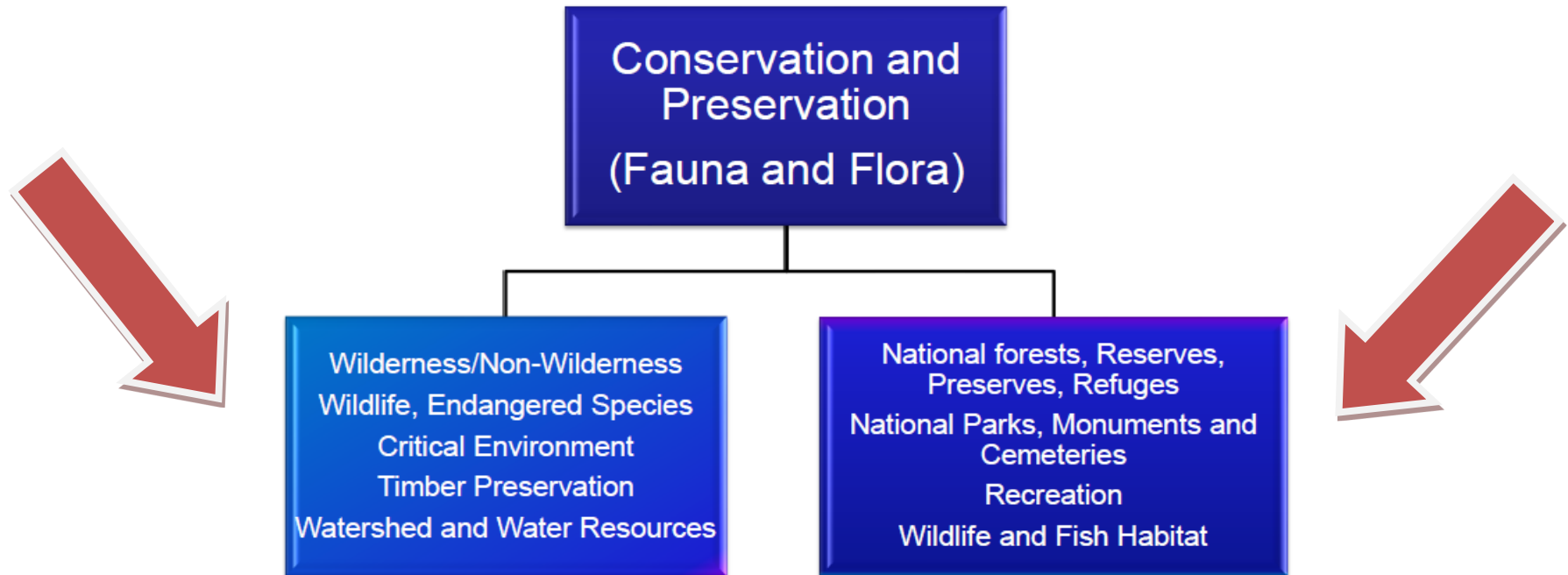


7

### 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.

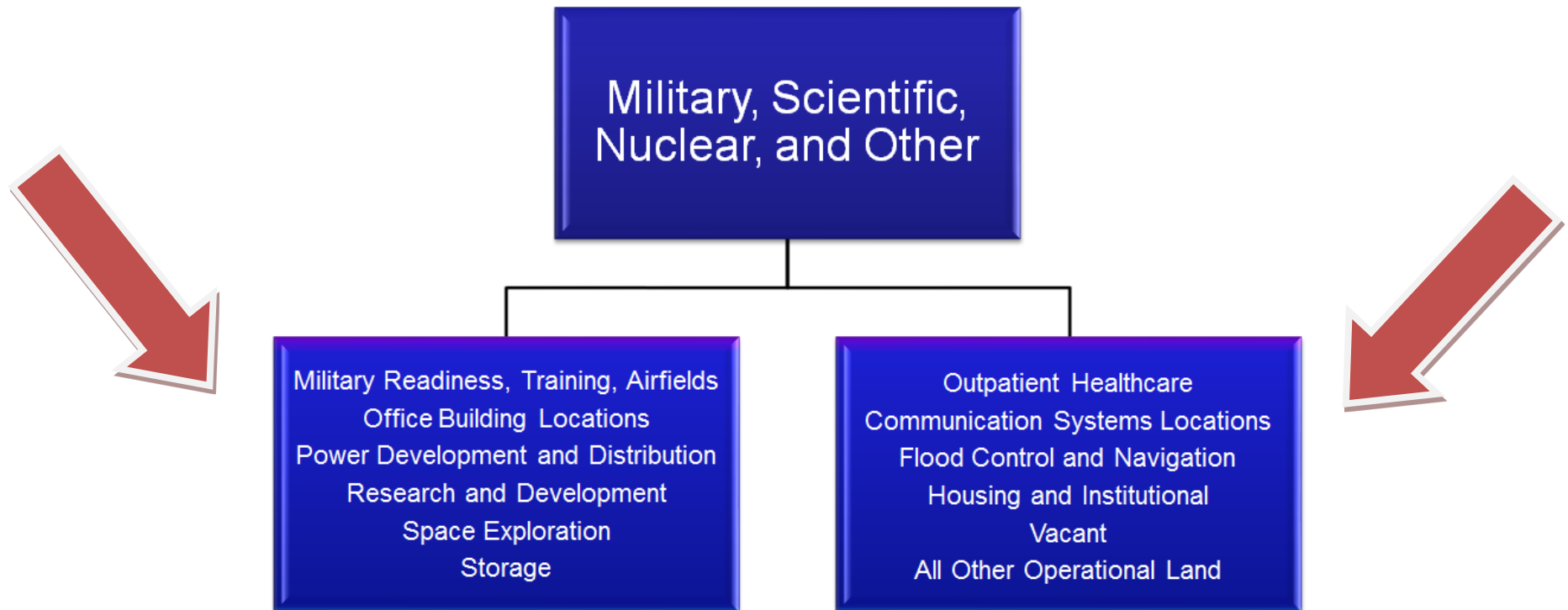
## Conservation and Preservation Land Use Sub-categories



### Military, Scientific, Nuclear, and Other Related Land Use Sub-categories

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

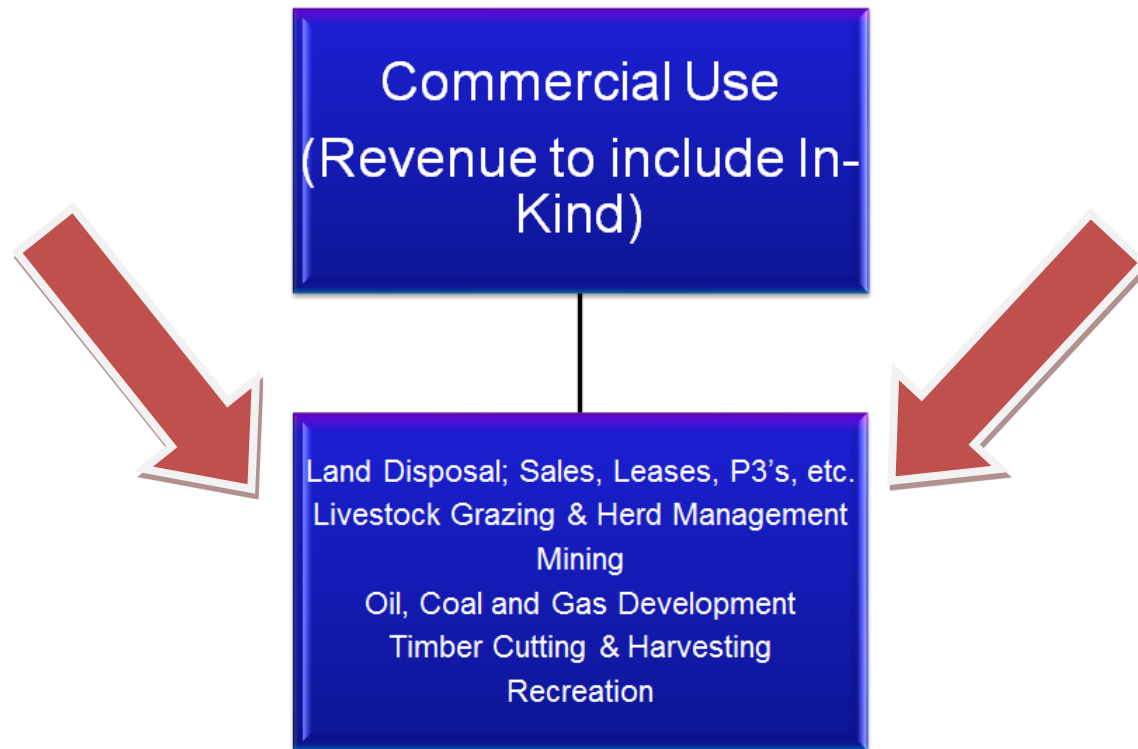
## Military, Scientific, Nuclear, and Other Land Use Sub-categories



## 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



## APPENDIX C: ABBREVIATIONS

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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

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RESERVED



### **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

### **Task Force Member Firms**

Checco Communications  
Cotton and Company  
Deloitte  
Dennis M. Giaimo, MBA  
Ernst & Young  
Helwig, LLC  
Kearney  
Management Analysis Incorporated  
National Council for Public Private Partnerships  
Navigant Capital Advisors  
Patawomeck Indian Tribe of Virginia  
University of Tennessee, Department of Ecology & Evolutionary Biology  
Viaggio Corporation

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