



February 8, 2019

Memorandum

To: Members of the Board  
From: Domenic N. Savini, Assistant Director  
Through: Wendy M. Payne, Executive Director

**MEMBER ACTIONS REQUESTED:**

- **Review** three technical issues
- **Provide** answers to the 5 questions summarized on page 18 by February 22nd.

Subj: **Technical Issues: *Accounting and Reporting of Government Land – Tab C***<sup>1</sup>

**MEETING OBJECTIVE**

**Review** three technical issues that arose at the December 2018 meeting which considered respondent comments and interested-party views. The technical issues follow:

1. Accommodating issues deemed significant by an entity that could require them to continue capitalizing G-PP&E land.
2. Accommodating agencies who have inseparable capitalized land costs.
3. Revising the implementation time-line.

**BRIEFING MATERIALS**

**Attachment 1-** Exposure Draft: *Accounting and Reporting of Government Land*

**NEXT STEPS**

**March 2019**

- Incorporate a revised Basis for Conclusions pursuant to Board re-deliberations.
- Email a draft SFFAS to Members with editorial comments due back to staff within 10 working days.

**April 2019**

- Proceed with pre-Ballot at Board meeting with a ballot shortly after the meeting.

**June – September 2019**

- Issue the Final SFFAS allowing for 45 and 90 day Congressional and Principal reviews, respectively.

<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

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### BACKGROUND

Members discussed major issues raised in the feedback (respondent comments and interested party views) received on the Exposure Draft, *Accounting and Reporting of Government Land* (Land ED). The major proposals in the Land ED include reclassifying general property, plant, and equipment land (G-PP&E) as a non-capitalized asset and disclosing the acreage of both Stewardship and G-PP&E land.

Members generally agreed with the following principal changes:

1. Deleting the Physical Unit Disclosure Requirements.
2. Deleting the requirement to reference DM&R (RSI) presentations.
3. Limiting disclosure requirements to primary categories of SL and G-PP&E land.
4. Simplifying the “Estimated Acres” reporting requirement by only requiring that beginning and ending balances be provided.
5. Clarifying that “Acres of land held for disposal or exchange” applies only to land to be conveyed to non-federal entities.
6. Clarifying the type of information to be disclosed at the government-wide level.

Members did not specifically agree that rate-setting agencies should be allowed the option to continue capitalizing G-PP&E land on their balance sheets. The Board noted that historical cost information on land could be provided in notes and moreover, such cost recoveries are not typically based on or confined to generally accepted accounting principles (GAAP). However, staff was asked to develop language to accommodate issues deemed significant by an entity that could require them to continue capitalizing G-PP&E land.

Members did however generally agree that the final statement should (1) require a specific transition date from RSI to note disclosure, (2) extend the time required for the transition so that the Board would have an opportunity to modify guidance should the issues with auditability of the information not be resolved by the transition date, and (3) allow for early implementation. Members reserved comment concerning anticipated changes to the Basis for Conclusions and asked staff to reconsider the Next Steps in light of this meeting’s discussions and decisions and to specifically address the following issues:

1. Continued capitalization of G-PP&E land and permanent land rights.
2. Inseparable capitalized land costs.
3. Reworking the implementation time-line.

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If you require additional information or wish to suggest another alternative not considered in the staff paper, please contact me as soon as possible. If you have any questions or comments, please contact me by telephone at 202.512.6841 or by e-mail at [savinid@fasab.gov](mailto:savinid@fasab.gov).

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## **CONTINUED CAPITALIZATION OF G-PP&E LAND**

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### **CONTINUED CAPITALIZATION OF G-PP&E LAND**

#### **Brief Background**

It is generally understood that land is not depreciated due to its infinite useful life and that the benefits of capitalizing land are primarily in the period of acquisition wherein period operating costs are not overstated. However, such capitalization practices are not intended to be immutable and do not preclude the expensing of land, like any other asset, under certain conditions or specific circumstances.<sup>2</sup>

Specifically, at SFFAS 6, *Accounting for Property, Plant, and Equipment*, the Board noted in paragraph 13 that capitalization thresholds should be established by entity management rather than centrally by the Board. The Board's rationale was that because federal entities are diverse in size and in their uses of property, plant and equipment, entities must consider their own financial and operational conditions in establishing an appropriate capitalization threshold or thresholds. Obviously, the Board concluded by noting that once established, those thresholds should be consistently followed and disclosed in the financial reports.

Moreover, in SFFAS 6 (paragraph 144) the Board placed the following restrictions on the capitalization of internally-developed software costs: (1) it must be intended that the costs be recovered through charges to users, (2) limited to only certain costs pursuant to a determination that the software project would likely be successful, and (3) costs could not be amortized over a period longer than five years.

Therefore, a conceptual underpinning and precedent exist for not only "expensing" land but also for (1) allowing management flexibility in deciding what to capitalize predicated on their agency's size and asset use and (2) accounting standards to establish restrictions on the capitalization of said assets.

#### **Objections to the Board's Proposal to Expense G-PP&E Land**

Some of the respondents disagreeing with the Board's proposal have noted that traditionally, for all sectors including the federal government, G-PP&E land is a capitalized asset that is not depreciated and they do not believe that a blanket exclusion of all federal land from the balance sheet is warranted. They believe that accounting measurement of G-PP&E land and land rights would be feasible in certain cases.

Interestingly, one of these respondents noted that in light of the preponderance of financial reporting frameworks that require the capitalization of land, the Board's Exposure Draft presented a clear case that the users of Federal financial statements have different needs than other users of financial statements and would benefit from the Board's proposed change.

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<sup>2</sup> For example, land over time may suffer from erosion distorting the contour and integrity of the terrain in addition to soil and ground loss. In such cases, unless remediated, the value of the land would need to be reconsidered and if material, losses recognized. Also, acts of nature such as earthquakes could also require similar accounting treatment; that is, asset impairment.

## CONTINUED CAPITALIZATION OF G-PP&E LAND

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### Significant Issues that could require continued capitalization of G-PP&E land

Staff analyzed preparer comments seeking conditions or circumstances that could justify allowing the continued practice of reporting G-PP&E land on the balance sheet at historical/acquisition cost. Results<sup>3</sup> follow:

#### 1. G-PP&E land is directly used in the production of goods and/or services.

- a. Possible examples: Interior's Bureau of Reclamation and USDA's Forest Service.

**Staff Notes:** Allowing an exception based on this criterion could create an unintended "loophole" that in effect undermines the spirit and intent of the Board's proposal. Specifically, any entity could argue that without G-PP&E land they could not accomplish their mission.

#### 2. Third-party payers are likely to question a non-GAAP cost or charge not supported on the financial statements or by the accounting system.

- a. Possible examples: Interior's Bureau of Land Management and DoD's Military Depots.

**Staff Notes:** Members addressed this issue at the December 2018 meeting and did not specifically agree that rate-setting agencies should be allowed the option to continue capitalizing G-PP&E land on their balance sheets. The Board noted that historical cost information on land could be provided in notes and moreover, such cost recoveries are not typically based on or confined to GAAP. However, staff was asked to develop language to accommodate issues deemed significant by an entity that could require them to continue capitalizing G-PP&E land.

#### 3. The entity operates in an environment where users would question the overall reliability of the financial statements if G-PP&E land were excluded from the balance sheet.

- a. Possible examples: Department of Defense, State Department and Department of Veteran's Affairs.

**Staff Notes:** Although this could be the case at some entities, based on our research we have noted the limited usefulness of historical cost information and that acreage data provides meaningful information to users. Nevertheless, entities operating in certain "land-oriented" environments may benefit from continued capitalization of G-PP&E land.

#### 4. Where G-PP&E land acquisitions are more akin to purchases of long-term investments rather than costs of operations.

- a. Possible examples: Certain GSA operations.

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<sup>3</sup> Please note that not all of the respondents provided specific examples and that staff's "Possible examples" are meant to stimulate thought and discussion. Further research would be required to confirm the basis for the respondent comments in this regard.

## CONTINUED CAPITALIZATION OF G-PP&E LAND

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**Staff Notes:** Generally, investments can either be accounted for at their original/amortized cost or fair valued depending on the nature of the investment (e.g., debt or equity) and management's intent (e.g., to either hold or sell/trade). As such, applying this criterion, the majority of entities would report land at historical/acquisition cost because in most cases they intend to hold land indefinitely. However, in those cases where land is expected to be disposed<sup>4</sup>, the Exposure Draft requires disclosure of acres. Although staff does not believe that treating land as an investment is consistent with the Board's position, certain business activities related to buying/selling land may benefit from continued capitalization of G-PP&E land.

### 5. Inconsistencies in the cost analysis and performance measures when comparing to non-Federal entities.

- a. Possible examples: Certain GSA operations and agencies conducting OMB Circular A-76, *Performance of Commercial Activities*<sup>5</sup> analyses.

**Staff Notes:** In general and not necessarily prescribed by OMB A-76, "make-or-buy" decisions in the federal space may require the government to "price" the cost of fully depreciated assets such as by extending the asset's useful life or developing some type of use-rate. Although this is not an accounting problem per se and is similar to Issue #2 discussed above, certain "make-or-buy" activities involving significant amounts of land may benefit from continued capitalization of G-PP&E land.

### 6. Property exchanges with non-federal entities where certain authorities provide for exchange of properties with comparable values.

- a. Possible examples: Certain GSA operations and other agencies having Enhanced Use Lease (EUL) authorities.

**Staff Notes:** As previously noted in Item #4 above, in those cases where land is expected to be disposed, the Exposure Draft requires disclosure of acres. However, based on staff research and task force input, although land (fee simple) sales are expected to be infrequent, entities conveying land by other means such as through public-private partnerships or leases may benefit from continued capitalization of G-PP&E land.

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<sup>4</sup> Please note that the ED contains the following definition - *Acres of land held for disposal or exchange includes land for which the entity has satisfied the legislative statutory disposal authority requirements specific to the land in question. **Disposal includes conveyances of federal land to non-federal entities not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.*** (Bolding added for emphasis).

<sup>5</sup> OMB Circular A-76 is a federal executive branch policy for managing public-private competitions to perform functions for the federal government. A-76 states that, whenever possible, and to achieve greater efficiency and productivity, the federal government should conduct competitions between public agencies and the private sector to determine who should perform the work. Source: Congressional Research Service, 7-5700, [www.crs.gov](http://www.crs.gov), R40854.

## CONTINUED CAPITALIZATION OF G-PP&E LAND

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### Two Alternative Approaches

If the Board believes that certain entities may in fact benefit from the continued capitalization of G-PP&E land, staff posits two alternative approaches. The first approach would still require de-recognition but allow entities to present their G-PP&E land and permanent land rights costs in the note disclosures. Conversely, the second approach would allow such entities an exemption from the de-recognition requirement permitting them to continue capitalizing G-PP&E land and permanent land rights.

Staff has developed draft language below that could accommodate either approach. Please note that the language is almost identical and differences are highlighted in **RED**. The proposed draft language would be included as a new paragraph 27 (Asset Recognition section) in SFFAS 6.

### First Approach: Disclosure of Costs in the Notes

27. The acquisition cost of G-PP&E land and permanent land rights used in business-type activities<sup>FN1</sup> or included in economic or financial analyses may be **disclosed<sup>FN2</sup> in the Notes** if all of the following conditions exist:

- a. The organization (for example, component reporting entities or sub-components) engaged in the business-type activity or subject of the economic or financial analysis, issues stand-alone audited financial statements.
- b. Land and permanent land rights are central to the business-type activity or economic or financial analysis.
- c. For entities engaging primarily in business-type activities, such activities should be a part of the entity's normal operations with routine occurrence during the reporting period.
- d. For entities conducting economic or financial analyses, such analyses should be pursuant to either statutory or Office of Management and Budget (OMB) requirements.

FN1 - Business-type activities are defined as significantly self-sustaining activities which finances their continuing cycle of operations through collection of exchange revenue as defined in SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. (See also SFFAS 6, *Accounting for Property, Plant, and Equipment*, footnote 27.)

FN2 – Costs which are disclosed should be limited to the G-PP&E land and permanent land rights directly associated with the business-type activities and/or economic or financial analyses to which they relate.

**Second Approach: Exempt Entities from De-recognition**

27. The acquisition cost of G-PP&E land and permanent land rights used in business-type activities<sup>FN1</sup> or included in economic or financial analyses may be **recognized<sup>FN2</sup> on the balance sheet** if all of the following conditions exist:

- a. The organization (for example, component reporting entities or sub-components) engaged in the business-type activity or subject of the economic or financial analysis, issues stand-alone audited financial statements.
- b. Land and permanent land rights are central to the business type activity or economic or financial analysis.
- c. For entities engaging primarily in business-type activities, such activities should be a part of the entity's normal operations with routine occurrence during the reporting period.
- d. For entities conducting economic or financial analyses, such analyses should be pursuant to either statutory or Office of Management and Budget (OMB) requirements.

FN1 - Business-type activities are defined as significantly self-sustaining activities which finances their continuing cycle of operations through collection of exchange revenue as defined in SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. (See also SFFAS 6, *Accounting for Property, Plant, and Equipment*, footnote 27.)

FN2 – Capitalized costs should be limited to the G-PP&E land and permanent land rights directly associated with the business-type activities and/or economic or financial analyses to which they relate.

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**INSEPARABLE CAPITALIZED LAND COSTS**

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**INSEPARABLE CAPITALIZED LAND COSTS**

In accordance with the December 2018 Board instruction, staff has developed draft language that existing G-PP&E land and permanent land rights should be derecognized only if practicable; that is, accommodating agencies who have inseparable capitalized land costs. Moreover, on a go-forward basis staff suggests that new acquisitions of G-PP&E land and permanent land rights be treated as a composite asset; that is, capitalized along with its related infrastructure if such land costs are not readily separable.

Proposed draft language to include as two new paragraphs 28 and 29 (Asset Recognition section) in SFFAS 6:

**Draft language for existing G-PP&E land and permanent land rights that are inseparable:**

28. Where the cost of G-PP&E land and permanent land rights of a real property holding or investment is not readily identifiable as a separate component of the overall holding or investment, an entity is not required to derecognize such land costs.

**Draft language for new acquisitions of G-PP&E land and permanent land rights that are inseparable:**

29. Business-type activities may adopt a composite asset approach when G-PP&E land and permanent land rights are acquired as an incidental element of the real property holding or investment. In this approach, the entity capitalizes and depreciates or amortizes the land and permanent land rights over the life of the related real property holding or investment. The useful life of land and permanent land rights should be excluded in determining the overall useful life of the asset and an entity adopting a composite asset approach should disclose its policies accordingly.

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## REVISED IMPLEMENTATION TIME-LINE

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### REVISED IMPLEMENTATION TIME-LINE

Staff proposes two alternative approaches for implementation of the proposed requirements:

- Option 1 – Requirements Phase-In Approach or,**
- Option 2 – Graduated Phase-In Approach**

#### **Option 1 – Requirements Phase-In Approach**

At the Board's request, staff has developed a revised implementation time-line ensuring that the final statement:

1. Requires a specific transition date (staff proposes a dual transition date fiscal years (FY) 2023 and 2024) from RSI to note disclosure,
2. Extends the time required (staff proposes a 5-year (FY20-24) implementation window) for the transition so that the Board would have an opportunity to modify guidance should the issues with auditability of the information not be resolved by each discrete transition date, and
3. Allows for early implementation (staff proposes as early as FY 2020).
4. FY 2025: Consolidated government-wide

Of significance, staff proposes that the de-recognition of G-PP&E Land and permanent land rights not be required (for those entities not electing early implementation) until FY 2024. In so doing, the RSI presentation categories during FY's 2020 through 2022 have an element on the balance sheet to relate to and supplement. Additionally, keeping G-PP&E land on the balance sheet during FY 2020 through 2023 should mitigate preparer burden and help avoid audit implications.

#### **Some Pros –**

- (1) Allows preparers and auditors who have expressed concern with additional time to institute required system changes and documentation collection procedures, and
- (2) Provides the financial management community with manageable fiscal year milestones where potential questions or problems can be addressed in a timely, orderly, and pan-governmental manner.

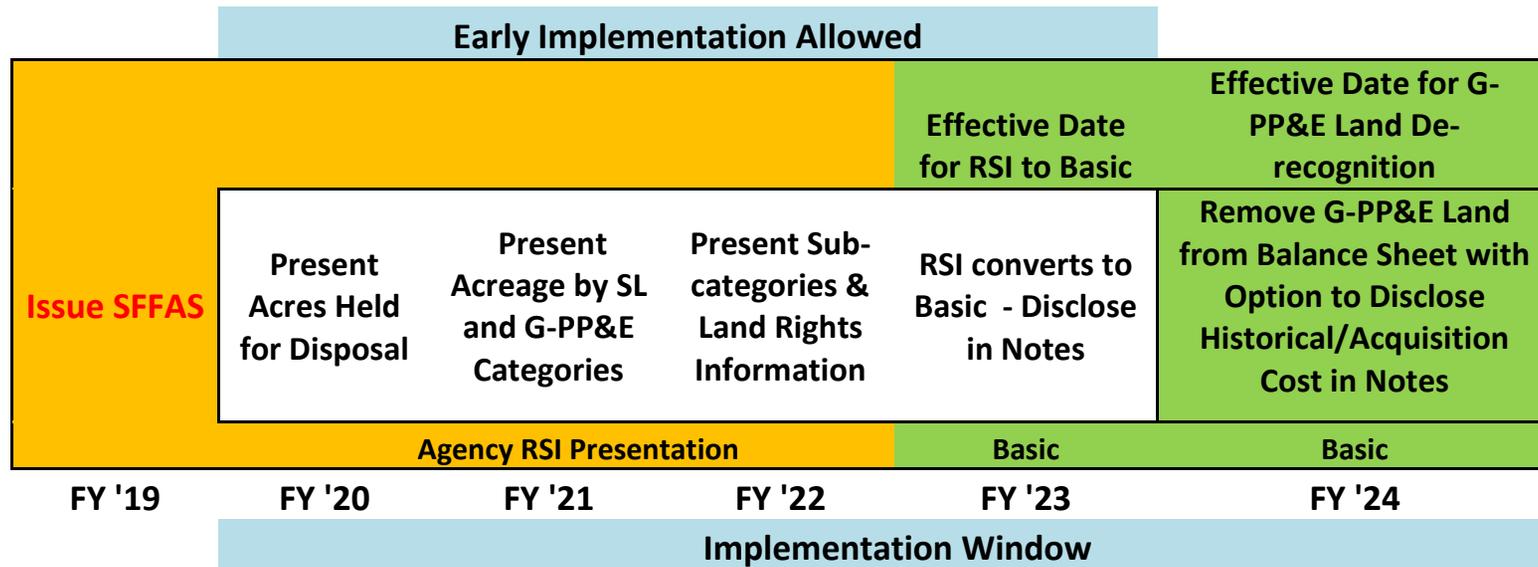
#### **Some Cons –**

- (1) Creates lack of comparability among agencies and at the government-wide consolidated financial statements, and
- (2) The experimental nature of RSI may be interpreted by some preparers to imply that requirements and effective dates are tentative and "negotiable."

Please refer to the below pictorial time-line for details.

**REVISED IMPLEMENTATION TIME-LINE**

**Option 1 – Requirements Phase-In Approach**



## REVISED IMPLEMENTATION TIME-LINE

### Option 2 – Graduated Phase-In Approach

Certain standard-setters have considered entity size when crafting implementation requirements. For example, GASBS 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, used a three phased approach based on a government's total annual revenues. The GASB's reasoning was that many governments would not have had sufficient resources to make the transition by the initial effective date.

Given that some preparers and auditors alike have expressed concern that additional time would be needed to institute required system changes and documentation collection procedures over land, a similar graduated phase-in approach can be taken. Please recall that most respondent agencies did not foresee any significant implementation difficulties with the Board's proposal presumably due to the small or insignificant amount of G-PP&E land holdings they possess.

Using acreage estimates from the Federal Real Property Profile database and a Congressional Research Service report, a rough-order ranking (using quasi-natural breaks) of entities based on their consolidated acreage totals follows:

Entity	FRPP Reported G-PP&E Acres	CRS Reported Acres	Total Land Acres **	
Interior	2,150,381	415,981,801	418,132,182	<b>1st Stratum</b>
USDA	115,435	192,932,426	193,047,861	
Defense	16,086,706	14,399,704	16,086,706	<b>2nd Stratum</b>
Homeland	76,031	0	76,031	<b>3rd Stratum</b>
Justice	48,134	0	48,134	
Transportation	47,032	0	47,032	
VA	38,416	0	38,416	
Commerce	7,314	0	7,314	<b>4th Stratum</b>
Labor	4,478	0	4,478	
HHS	4,326	0	4,326	
GSA	3,749	0	3,749	
EPA	604	0	604	<b>5th Stratum</b>
Treasury	167	0	167	

\*\* = Given DoD data differences, the FY2016 FRPP total of 16,086,706 is used for ranking purposes.

**REVISED IMPLEMENTATION TIME-LINE**

Based upon the rough-order ranking shown above, staff suggests that three (3) strata be developed for the graduated phase-in approach and that consolidation at the government-wide not occur until FY2025:

1. FY 2022: Phase 1 Entities - less than 10 million acres consolidated
2. FY 2023: Phase 2 Entities - between 10 million and 100 million acres consolidated
3. FY 2024: Phase 3 Entities – greater than 100 million acres consolidated
4. FY 2025: Consolidated government-wide

**Some Pros –**

- (1) Allows preparers and auditors who have expressed concern with additional time to institute required system changes and documentation collection procedures,
- (2) Provides more time for entities with larger land portfolios,
- (3) Avoids lack of comparability among peer-grouped entities and at the government-wide consolidated financial statements, and
- (4) Avoids the experimental nature of RSI and inferences that requirements and effective dates are tentative and “negotiable.”

**Some Cons –**

- (1) Does not allow entities an opportunity to test information as RSI, and
- (2) Issues which may arise cannot be addressed in a timely or pan-governmental manner.

Please refer to the below pictorial time-line for details.

		<b>Early Implementation Allowed</b>		
<b>Issue SFFAS</b>	<b>Entity Preparation</b>	<b>Phase 1 Entities less than 10 million acres consolidated</b>	<b>Phase 2 Entities between 10 million and 100 million acres consolidated</b>	<b>Phase 3 Entities greater than 100 million acres consolidated</b>
		<b>Remove G-PP&amp;E Land from Balance Sheet with Option to Disclose Historical/Acquisition Cost in Notes</b>	<b>Remove G-PP&amp;E Land from Balance Sheet with Option to Disclose Historical/Acquisition Cost in Notes</b>	<b>Remove G-PP&amp;E Land from Balance Sheet with Option to Disclose Historical/Acquisition Cost in Notes</b>
FY '19	FY '20	FY '21	FY '22	FY '23
		<b>Implementation Window</b>		
		FY '24		

Note – For each phase disclosures are the same as Option 1. They include in part, acres held for disposal/exchange, acreage by category and acreage by sub-category.

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## QUESTIONS FOR THE BOARD

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### QUESTIONS FOR THE BOARD

#### **Question 1a – Continued Capitalization of G-PP&E land: Refer to pages 4 thru 8.**

Staff analyzed preparer comments seeking conditions or circumstances that could justify allowing the continued practice of reporting G-PP&E land on the balance sheet at historical/acquisition cost. As a result, staff proposes two alternative approaches:

1. The first approach would still require de-recognition but allow entities to present their costs of G-PP&E land and permanent land rights in the note disclosures.
2. The second approach would allow such entities an exemption from the de-recognition requirement permitting them to continue capitalizing G-PP&E land and permanent land rights.

**Question 1a**

**Which approach do Members generally prefer and why?**

#### **Question 1b – Continued Capitalization of G-PP&E land: Refer to pages 7 and 8.**

Staff reviewed SFFAS 6, *Accounting for Property, Plant, and Equipment*, and notes that although the Board allowed for management flexibilities regarding capitalization thresholds, it also placed restrictions on the capitalization of internally-developed software costs.

As a result, staff has developed comparably worded draft language that could accommodate either approach (as noted in Question 1a above) consistent with prior Board decisions taken in SFFAS 6.

Specifically, the proposed draft language for either approach sets forth 4 pre-conditions that must be met. They are as follows:

- a. The organization (for example, component reporting entities or sub-components) engaged in the business-type activity or subject of the economic or financial analysis, issues stand-alone audited financial statements.
- b. Land and permanent land rights are central to the business type activity or economic or financial analysis.
- c. For entities engaging primarily in business-type activities, such activities should be a part of the entity's normal operations with routine occurrence during the reporting period.
- d. For entities conducting economic or financial analyses, such analyses should be pursuant to either statutory or Office of Management and Budget (OMB) requirements.

**Question 1b**

**Do Members agree with each of the pre-conditions? If not, what specific changes or edits should staff consider making?**

## QUESTIONS FOR THE BOARD

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### **Question 2 - Inseparable capitalized land costs: Refer to page 9.**

In accordance with the December 2018 Board instruction, staff has developed draft language that existing G-PP&E land and permanent land rights should be derecognized only if practicable; that is, accommodating agencies who have inseparable capitalized land costs. Moreover, on a go-forward basis staff suggests that new acquisitions of G-PP&E land and permanent land rights be treated as a composite asset; that is, capitalized along with its related infrastructure only if such land costs are not readily separable. The draft language follows:

#### **Draft language for existing G-PP&E land and permanent land rights that are inseparable:**

28. Where the cost of G-PP&E land and permanent land rights of a real property holding or investment is not readily identifiable as a separate component of the overall holding or investment, an entity is not required to derecognize such land costs.

#### **Draft language for new acquisitions of G-PP&E land and permanent land rights that are inseparable:**

29. Business-type activities may adopt a composite asset approach when G-PP&E land and permanent land rights are acquired as an incidental element of the real property holding or investment. In this approach, the entity capitalizes and depreciates or amortizes the land and permanent land rights over the life of the related real property holding or investment. The useful life of land and permanent land rights should be excluded in determining the overall useful life of the asset and an entity adopting a composite asset approach should disclose its policies accordingly.

#### **Question 2**

**Does the Board agree with the draft language allowing exceptions for both existing and new acquisitions of G-PP&E land and permanent land rights when such costs are inseparable from the real property holding or investment? If not, what specific changes or edits should staff consider making?**

## QUESTIONS FOR THE BOARD

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### **Question 3 – Revised implementation time-line: Refer to pages 10 thru 13.**

Staff proposes two alternative approaches for implementation of the proposed requirements:

- Option 1 – Requirements Phase-in Approach or,**
- Option 2 – Graduated Phase-In Approach**

#### **Option 1 – Requirements Phase-in Approach (page 10)**

Staff has developed a revised implementation time-line that:

1. Requires a specific transition date (staff proposes a dual transition date fiscal year's (FY) 2023 and 2024) from RSI to note disclosure,
2. Extends the time required (staff proposes a 5-year (FY20-24) implementation window) for the transition so that the Board would have an opportunity to modify guidance should the issues with auditability of the information not be resolved by the transition date,
3. Allows for early implementation (staff proposes as early as FY 2020), and
4. Government-wide Consolidation to occur in FY 2025.

#### **Option 2 – Graduated Phase-In Approach (page 12)**

Staff has developed an implementation time-line that is based on an entity's total consolidated acreage that:

1. Allows for a 2-year (FY20 & 21) entity preparation period
2. Requires that transition dates be graduated based on consolidated acreage totals
3. Contains a 3-year (FY22-24) implementation window
4. Allows for early implementation (as early as FY 2020) , and
5. Government-wide Consolidation to occur in FY 2025.

### **Question 3**

**Which Option do Members generally prefer and why?**

## QUESTIONS FOR THE BOARD

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### **Question 4 – Next Steps: Refer to page 1 (cover sheet).**

Staff proposes to incorporate the Basis for Conclusions as revised pursuant to Board re-deliberations and to circulate a complete draft in March 2019. Balloting would be scheduled following the April meeting with an anticipated SFFAS issuance during the latter part of Fiscal Year 2019.

#### **Question 4**

**Does the Board agree with the proposed next steps? If not, what changes would members suggest we make to the proposed time-line?**

## QUESTIONS FOR THE BOARD

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### SUMMARY OF QUESTIONS FOR THE BOARD

#### Question 1a - Continued Capitalization of G-PP&E land: Refer to pages 4 thru 8.

Which approach do Members generally prefer and why?

#### Question 1b - Continued Capitalization of G-PP&E land: Refer to pages 7 and 8.

Do Members agree with each of the pre-conditions? If not, what specific changes or edits should staff consider making?

#### Question 2- Inseparable capitalized land costs: Refer to page 9.

Does the Board agree with the draft language allowing exceptions for both existing and new acquisitions of G-PP&E land and permanent land rights when such costs are inseparable from the real property holding or investment? If not, what specific changes or edits should staff consider making?

#### Question 3 - Revised implementation time-line: Refer to pages 10 thru 13.

Which Option do Members generally prefer and why?

#### Question 4 – Next Steps: Refer to page 1 (cover sheet).

Does the Board agree with the proposed next steps? If not, what changes would members suggest we make to the proposed time-line?

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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 July 30, 2018

April 30, 2018

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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 of the United States 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, and 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 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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### Contact us:

Federal Accounting Standards Advisory Board  
441 G Street, NW  
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Washington, DC 20548  
Telephone 202-512-7350  
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## Federal Accounting Standards Advisory Board

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April 30, 2018

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 July 30, 2018.

All comments received by FASAB are considered public information. Those comments may be posted to 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

441 G Street, NW  
Suite 1155  
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 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 Federal Accounting Standards Advisory Board (FASAB or “the Board”) is proposing to do the following:

- Reclassify general property, plant, and equipment (G-PP&E) land as a non-capitalized asset
- Clarify the definition for stewardship land (SL)
- Require the reporting of G-PP&E land and SL using three predominant use sub-categories
  - Conservation and preservation land
  - Operational land
  - Commercial use land
- Require consistent and comparable disclosures of information for land (that is, reporting estimated acres of land, physical quantity information, estimated acres of land held for disposal or exchange, and predominant land use)

Current accounting standards have resulted in significant differences in accounting and reporting for land. Specifically, Statement of Federal Financial Accounting Standards (SFFAS) 6, *Accounting for Property, Plant, and Equipment*, 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<sup>1</sup> allow reporting entities adopting generally accepted accounting principles for the first time to elect to exclude land and land rights from G-PP&E opening balances. Reporting entities making the election would disclose acres of land.

For SL, SFFAS 29, *Heritage Assets and Stewardship Land*, requires disclosures regarding policies for managing land, categories of land, and physical quantity information. Reporting entities select the physical quantity information to report, which results in information that is not necessarily comparable.

The different reporting requirements and options raise concerns that the Board’s reporting objectives and qualitative characteristics of information in financial reports, such as relevance and comparability, may not be met. Comparable non-financial measures (such as acres of land) would better meet reporting objectives and qualitative characteristics.

To address these concerns, the Board is proposing a consistent accounting and reporting approach that provides relevant and comparable non-financial information. To that end, the proposed changes would include the following:

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<sup>1</sup> SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35.*

- Accounting for all land as a non-capitalized asset
- Clarifying the SL definition so that SL used or acquired for or in connection with items of G-PP&E would not lose its distinction as SL
- Requiring the reporting of G-PP&E land and SL using three predominant use sub-categories
- Requiring uniform disclosures for all land including reporting estimated acres of land and physical quantity information
- Identifying estimated acres of land held for disposal or exchange

## HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL REPORTING OBJECTIVES?

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The proposed reporting of land would enable the government to demonstrate accountability to citizens for G-PP&E land and SL.

Of the four objectives outlined in Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, the Operating Performance and Stewardship objectives are most important for land reporting. Land reporting is important to meet these objectives because the federal government is accountable to citizens for the proper administration of its resources. Because federal land is held on behalf of the American people and some argue “priceless,” it is likely one of the most “valuable” assets the government possesses. Accordingly, land should be adequately disclosed to assist report users in determining (1) how much land is managed, (2) how land is predominantly used, and (3) how much land is held for disposal or exchange. Such disclosures help readers determine the efficiency and effectiveness of the government’s management over land.

### **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

## 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 condition has 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

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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 <http://www.fasab.gov/documents-for-comment/>.

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  
441 G Street, NW  
Suite 1155  
Washington, DC 20548

All responses are requested by July 30, 2018.

Q1. The Federal Accounting Standards Advisory Board (FASAB or “the Board”) proposes reclassifying general property, plant, and equipment (G-PP&E) land as a non-capitalized asset with no dollar amounts reported on the balance sheet. Any future acquisitions of land would be expensed on the statement of net cost. Disclosures regarding G-PP&E land would be required. For the proposed amendments, refer to paragraphs 8-10 (for component reporting entities) and 16 (for the consolidated financial report of the U.S. Government). For a detailed discussion and related explanation refer to paragraphs A9–A16, A21–A24, and A39–A41 in Appendix A: Basis for Conclusions.

- a. **Do you agree or disagree with the Board’s proposal to reclassify G-PP&E land as a non-capitalized asset with no dollar amounts reported on the balance sheet and expense future acquisitions on the Statement of Net Cost? Please provide the rationale for your answer.**
- b. **Do you agree or disagree that land information should be presented as basic information in the G-PP&E note disclosure? Please provide the rationale for your answer.**

Q2. The Board has developed uniform disclosure requirements for G-PP&E land and stewardship land (SL). Both G-PP&E land and SL would be further disaggregated into three predominant use sub-categories. For each of the sub-categories, the following disclosures would be required from each component reporting entity: (1) a description of the entity’s policies, (2) physical quantity information, (3) estimated acres of land, (4) estimated acres of land held for disposal or exchange, (5) a general description of the types of land rights acquired by the entity, and (6) a reference to deferred maintenance and repairs information. Required disclosures for the government-wide financial statements include items (1), (3), and (4) above, as well as a general reference to agency reports for additional information. For the proposed amendments, refer to paragraphs 10, 13, 15, and 16. For a detailed discussion and related explanation refer to paragraphs A25, A33–A41, and A53–A54 in Appendix A: Basis for Conclusions.

- a. **Do you agree or disagree with the Board’s proposed component reporting entity disclosure requirements for G-PP&E land and SL? Please provide the rationale for your answer.**
- b. **Do you agree or disagree with the Board’s proposed government-wide financial statement disclosure requirements for G-PP&E land and SL? Please provide the rationale for your answer.**

Q3. The Board proposes retaining both the G-PP&E land and SL categories for an entity’s land holdings. For the proposed amendments, refer to paragraphs 8–14. For a detailed discussion and related explanation refer to paragraphs A17–A24 in Appendix A: Basis for Conclusions.

**Do you agree with retaining the G-PP&E land and SL categories? Please provide the rationale for your answer.**

Q4. The Board proposes to revise the G-PP&E land and permanent land rights definitions. In addition, the Board proposes definitions for the following terms: acres of land held for disposal or exchange, commercial use land, conservation and preservation land, and

operational land. For the proposed amendments, refer to paragraphs 8–11. For a detailed discussion and related explanation refer to paragraphs A9–A16 and A25–A33 in Appendix A: Basis for Conclusions.

**Do you agree or disagree with the Board’s proposed G-PP&E land and permanent land rights definition and the related sub-category definitions? Please provide the rationale for your answer.**

- Q5. The Board proposes amendments to the current definition of SL including footnote 16 and definitions for the following terms: acres of land held for disposal or exchange, commercial use land, conservation and preservation land, and operational land. For the proposed amendments, refer to paragraphs 12–14. For a detailed discussion and related explanation refer to paragraphs A9–A16, A21–A24, and A26–A33 in Appendix A: Basis for Conclusions.

**Do you agree or disagree with the Board’s proposed definition of SL, including footnote 16 and the related subcategory definitions? Please provide the rationale for your answer.**

- Q6. The Board is proposing a two-year implementation period, which would make the proposed requirements effective for reporting periods beginning after September 30, 2021. For a detailed discussion and related explanation refer to paragraphs 19, A9–A12, A42–A45, and A51–A52 in Appendix A: Basis for Conclusions.

**Do you agree or disagree with the proposed effective date? Please provide the rationale for your answer.**

- Q7. The Board has continually noted the fundamental challenges associated with developing and documenting information regarding historical assets like land. Technical Release (TR) 9, *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*, paragraph 85 states in part that a methodology needs to be employed to develop documentation to support management’s assertions of federal ownership. For a detailed discussion and related explanation refer to paragraphs A51–A54 in Appendix A: Basis for Conclusions.

- a. **Would incorporating any of the guidance contained in TR 9 in the proposed accounting standards facilitate the preparation and auditing processes? For example, should the list of examples of the supporting documentation contained at paragraph 85 in TR 9 be incorporated, changed, or expanded to facilitate implementation of the proposed requirements? Please provide the rationale for your answer.**
- b. **What type of implementation guidance should FASAB provide that enables (1) flexibility for supporting estimated acres of land and (2) assistance in identifying predominant use as well as selecting appropriate physical unit categories? Please provide the rationale for your answer.**

Q8. The Board encourages respondents to not only provide input concerning any and all aspects of the proposed changes, but also other matters that may not have been specifically addressed in this exposure draft. In addition, the Basis for Conclusions explains the Board's goals for this proposal (see discussion beginning at par. 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 par. A1–A12, A42–A45, and A46–A50).

Moreover, the Board is interested in receiving comments specific to the following matters:

(1) Its proposed use of non-financial information (NFI) as a means to provide information more relevant than the financial recognition and measurement of land

(2) Whether requiring the disclosure of “estimated acres of land” instead of “acres of land” would provide preparers greater flexibility and reduced burden while still ensuring that user needs are met

(3) The determination and application of materiality to NFI (that is, the appropriate considerations for NFI)

(4) Whether materiality is affected by the presentation of land information as basic, required supplementary information, or other information. For example, identify challenges in estimating the NFI in each of the three categories identified above.

- a. **Please provide your thoughts and rationale concerning the four areas noted above.**
- b. **Please provide any other comments or suggestions you have regarding the goals for this project, other issues identified in the Basis for Conclusions, or other areas that have not been addressed.**

# INTRODUCTION

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## PURPOSE

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1. The purpose of this Statement is to ensure consistent accounting treatment and reporting for land holdings by proposing to do the following:
  - a. Reclassify **general property, plant, and equipment (G-PP&E)**<sup>2</sup> land as a non-capitalized asset
  - b. Clarify the definition for **stewardship land (SL)**
  - c. Require the reporting of G-PP&E and SL using three predominant use sub-categories
    - i. **Conservation and preservation land**
    - ii. **Operational land**
    - iii. **Commercial use land**
  - d. Require consistent and uniform disclosures of information for all land (that is, reporting estimated acres of land, physical quantity information, estimated **acres of land held for disposal or exchange**, and predominant land use)
2. Consistent measurement and recognition practices should increase comparability and understandability while eliminating different accounting and reporting requirements and mitigating their inconsistent application, given that all land is a non-depreciable asset regardless of its purpose or use. Implementation of existing standards has resulted in significant differences in the accounting and reporting treatment for federal land holdings. For example, Statement of Federal Financial Accounting Standards (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. SFFAS 29, *Heritage Assets and Stewardship Land*, requires SL be reflected on the balance sheet at no cost but recognized on the statement of net cost for the period in which any acquisition cost is incurred. Additionally, existing accounting standards provide for measurement, recognition, and reporting of G-PP&E land and the reporting of SL predicated on the intent at the time of acquisition. That intent does not necessarily reflect how the land was predominantly used during the reporting period. As a result of this difference between intent at acquisition and actual land use for G-PP&E land and the differing accounting policies between G-PP&E land and SL, significant reporting differences exist for land.
3. Clarifying the SL definition and requiring the use of three predominant use sub-categories should reduce accounting and reporting differences and preparer burden while benefiting users. Additionally, implementation differences and, in some cases, preparer difficulties have arisen due to the definitions contained in existing guidance. For example, the current

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<sup>2</sup> Terms defined in the Glossary are shown in **bold-face** the first time they appear.

use of a land holding is sometimes different from the initial intent at the time of acquisition. There can also be inconsistent treatment of withdrawn public land placed into operations.

4. Comparability<sup>3</sup> among entity disclosures should benefit users of land information. As a result of the differing accounting standards, entity-specific disclosures are not comparable between G-PP&E land and SL, as well as among reporting entities. To the extent possible, the Federal Accounting Standards Advisory Board (FASAB or “the Board”) desires to improve comparability by doing the following:
  - a. Accounting for all land as a non-capitalized asset
  - b. Clarifying the SL definition so that SL used or acquired for or in connection with items of G-PP&E would continue to be categorized as SL
  - c. Requiring the reporting of G-PP&E land and SL using three predominant use sub-categories
  - d. Requiring uniform disclosures for all land including reporting estimated acres of land and physical quantity information
  - e. Identifying estimated acres of land held for disposal or exchange

These changes should result in comparable land information, and any remaining inconsistencies should reflect unique entity mission requirements and operations.

## MATERIALITY

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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.

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<sup>3</sup> “Financial reporting should help report users make relevant comparisons among similar federal reporting units, such as comparisons of the costs of specific functions or activities. Comparability implies that differences among financial reports should be caused by substantive differences in the underlying transactions or organizations rather than by the mere selection of different alternatives in accounting procedures or practices.” Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, par. 164.

## 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 amends the following guidance:<sup>4</sup>
  - a. SFFAS 6, *Accounting for Property, Plant, and Equipment*
  - b. SFFAS 29, *Heritage Assets and Stewardship Land*
  - c. SFFAS 32, *Consolidated Financial Report of the United States Government Requirements: Implementing Statement of Federal Financial Accounting Concepts 4 "Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government"*
  - d. SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*
  - e. SFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*
  - f. SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35*

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<sup>4</sup>Proposed amendments to each of the Statements include, where applicable, (1) strikethrough deletions of existing text and (2) red, underlined additions. In some amendments red-underlining has been omitted for reading ease.

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

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8. This paragraph amends SFFAS 6 to clarify that land and permanent land rights are to remain in the G-PP&E category but are not to be capitalized.

- a. Paragraph 25 is amended as follows:

25. Land and permanent land rights<sup>28.1</sup> 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 are not to be capitalized on the balance sheet. General PP&E land shall exclude (1) withdrawn public lands<sup>29.1</sup> or (2) land restricted for conservation, preservation, historical, or other like restrictions. Such land shall remain categorized as stewardship land. ~~unless the reporting entity made the election to implement the provisions of paragraph 40.f.i.. In some instances, 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 28.1 – Land rights such as easements or rights-of-way that are for an unspecified period of time or unlimited duration are considered permanent land rights. Temporary land rights are those land rights that are for a specified period of time or limited duration.

FN 29 – “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.

FN 29.1 – Consistent with Congressional authorities, an entity may withdraw public lands from the public domain for specific uses. For example, an entity may withdraw public land from sale, settlement, or recreational use to expand buffer zones for security or training needs.

- b. Paragraph 26 is amended as follows:

26. ~~All-g~~ General PP&E, other than land and permanent 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 include all costs incurred to bring the PP&E to a form and location suitable for its intended use. For example, the cost of acquiring property, plant, and equipment may include: [no changes to the list that follows]

- c. A new paragraph and footnote is inserted following the heading “Expense Recognition” and before existing paragraph 35 as follows:

34A. The cost of acquiring general PP&E land and permanent land rights shall be recognized on the statement of net cost for the period in which the cost is incurred. The cost shall include all costs to prepare general PP&E land or a permanent land right for its intended use (for example, razing a building). In some cases, land may be acquired

along with existing structures. If the structure is to be used in operations, the amount related to the structure shall be estimated and capitalized while the amount related to the land shall be expensed. If acquisition of the structure is a byproduct of the acquisition of the land, the cost of the entire acquisition shall be expensed. No amounts for general PP&E land or permanent land rights acquired through donation or devise<sup>40.1</sup> shall be recognized in the financial statements.

FN 40.1 – Acquisition of general PP&E can also occur due to legal devise or instrument, such as a will or a clause within a will that bequeaths property to an entity.

- d. Paragraph 35 is amended as follows:

35. Depreciation expense is calculated through the systematic and rational allocation of the cost of general PP&E, less its estimated salvage/residual value, over the estimated useful life of the general PP&E. Depreciation expense shall be recognized on all general PP&E,<sup>41</sup> except land and permanent land rights, which shall be expensed as incurred ~~of unlimited duration.~~<sup>42</sup> [no changes to the list that follows]

FN 41 – Software [See SFFAS 10 for standard regarding internally developed software] and land ~~[See SFFAS 10 for standard regarding internally developed software]~~ rights, while associated with tangible assets, may be classified as intangible assets by some entities. In this event, they would be subject to amortization rather than depreciation. “Amortization” is applied to intangible assets in the same manner that depreciation is applied to general PP&E—tangible assets.

FN 42 – Temporary ~~land~~ rights, such as easements or rights-of-way, that are for a specified period of time or limited duration shall be depreciated or amortized over that time period.

- e. Footnote 46 of paragraph 44 provides examples of major classes of assets. Footnote 46 is amended as follows:

FN 46 – “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, paragraph 40 by providing guidance for establishing opening balances consistent with the amended reporting requirements for general PP&E land. Because SFFAS 50 first amended this paragraph in SFFAS 6, SFFAS 50, paragraph 13 is also amended to conform to amended paragraph 40 shown below. There are no changes to paragraph 40.a–40.e.ii, 40.g, 40.h.i, and 40.i.i.

40.f. Alternative methods for ~~land and~~ temporary land rights. A reporting entity should choose among the following alternative methods for establishing an opening balance for ~~land and~~ temporary land rights. Because a reporting entity may have multiple component or subcomponent reporting entities selecting different alternative methods, a reporting entity should establish an opening balance based on one, or a combination, of these alternative methods. However, application of a particular alternative method must be consistent within each individual subcomponent reporting entity prior to consolidation into the larger component reporting or reporting entity.

40.f.i. The reporting entity may exclude ~~land and~~ temporary land rights from the opening balance of general PP&E. If this alternative method is applied, the reporting entity should expense future ~~land and~~ temporary land right acquisitions.

40.f.ii. Temporary ~~land and~~ land rights may be recognized in opening balances based on the provisions of the alternative valuation method (deemed cost) provided in paragraph 40.d.

40.h.ii. A component reporting entity electing to apply the provisions of paragraph 40.f.i. to ~~land and~~ temporary land rights should disclose this fact and describe the alternative methods used in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items, are presented fairly in accordance with GAAP. ~~A component reporting entity electing to exclude land and land rights from its general PP&E opening balances must disclose, with a reference on the balance sheet to the related disclosure, the number of acres held at the beginning of each reporting period, the number of acres added during the period, the number of acres disposed of during the period, and the number of acres held at the end of each reporting period.~~ A reporting entity electing to exclude ~~land and~~ temporary land rights from its general PP&E opening balance should continue to exclude future ~~land and land rights~~ acquisition amounts and ~~provide the disclosures~~ disclose this election. In the event different alternative methods are applied to ~~land and land rights~~ (as permitted by paragraph 40.f.) by subcomponent reporting entities consolidated into a larger reporting entity, the alternative method adopted by each significant subcomponent should be disclosed.

40.i.ii. When a component reporting entity elects to apply the provisions of paragraph 40.f.i. to ~~land and~~ temporary land rights, the U. S. government-wide financial statements should disclose this fact, ~~the number of acres held at the end of each reporting period,~~ an explanation of the election, the identity of the component reporting entity, and a reference to the component reporting entity's financial report.

10. This paragraph amends SFFAS 6 disclosure requirements.

- a. A new paragraph is inserted immediately following paragraph 45 that adds disclosure requirements applicable to G-PP&E land:

45A. The following information should be provided regarding G-PP&E land and permanent land rights:

- a. A concise statement explaining how land relates to the mission of the entity should be provided.
- b. A brief description of the entity's policies for land should be provided. Policies for land are the goals and principles the entity established to guide its acquisition, maintenance, use, and disposal of land consistent with statutory requirements, prohibitions, and limitations governing the entity and the land.
- c. Land and permanent land rights should be assigned to one of three sub-categories based on predominant use and reported both in physical units and estimated acres of land. The three sub-categories are commercial use land; conservation and preservation land; and operational land. Where land and permanent land rights have more than one use, the predominant use of the land should be used to sub-

categorize the land. The following information should be presented by sub-category of land use:

- i. Acres of land. The estimated number of acres of land at the beginning of each reporting period, the number added during the period, the number disposed during the period, the net number transferred between categories (that is, SL and G-PP&E land) or transferred among the three sub-categories during the period, and the number of acres at the end of each reporting period for land and permanent land rights should be provided.
  - ii. Physical unit information (in addition to acres of land). The appropriate physical units of measure of land use should be meaningful and determined by the preparer based on the entity's mission, sub-category of land use, and management of the land. For example, a physical unit might be based on the nature of the land, geographic management units, projects, goals, or activity levels. Physical unit information should include a concise definition of the physical unit, a beginning balance, units acquired, units withdrawn, transfers, and an ending balance.
  - d. The number of physical units and estimated acres held for disposal or exchange. For purposes of this Statement, land is considered held for disposal or exchange when the entity has satisfied the legislative disposal authority requirements specific to the land in question.
  - e. Land rights information should include a general description of the different types of rights acquired by the entity, whether such rights are permanent or temporary, and amounts paid during the year to maintain such rights.
  - f. Entities should explain that information regarding deferred maintenance and repairs may be found in unaudited required supplementary information.
- b. The disclosure requirements for the government-wide financial statements at paragraph 45 are amended as follows:
45. The above listed disclosure requirements for G-PP&E and G-PP&E land 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.

**NOTE TO RESPONDENTS – SFFAS 6 (as amended through SFFAS 50) does not establish disclosure requirements for the government-wide report and refers readers to SFFAS 32, which establishes said requirements. This exposure draft follows this practice. As such, please refer to the proposed amendments to SFFAS 32 regarding G-PP&E land disclosure requirements for government-wide reporting purposes.**

11. This paragraph amends SFFAS 6 by inserting additional definitions immediately after paragraph 20 as follows:

20A. Acres of land held for disposal or exchange includes land for which the entity has satisfied the legislative disposal authority requirements specific to the land in question.<sup>24.1</sup> Disposal includes conveyances of federal land not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.

Footnote 24.1 – 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.

20B. Commercial use land includes land or land rights that 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. 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; and/or
- public-private partnerships.

20C. Conservation and preservation land includes land or land rights that are predominantly used for conservation or preservation purposes. Conservation and preservation, although closely linked, are distinct terms. Each term involves a certain type or degree of protection. Specifically, conservation is generally associated with the protection and proper use of natural resources, whereas preservation is associated with the protection of buildings, objects, and landscapes from use.

20D. Operational land includes land or land rights predominantly used for general or administrative purposes. For example, the following functions performed by entities would be included in this sub-category:

- Military functions include preparing for the effective pursuit of war and military operations short of war; conducting combat, peacekeeping, and humanitarian military operations; and supporting civilian authorities during civil emergencies.
- Scientific functions include conducting and managing research, experimentation, exploration, and operations (including the development of commercial capabilities). Broad scientific fields of study generally include (1) physical sciences (physics, astronomy, chemistry, geology, metallurgy), (2) biological sciences (zoology, botany, genetics, paleontology, molecular biology, physiology), and (3) social sciences (psychology, sociology, anthropology, economics).

- Nuclear functions include managing or regulating the use of nuclear energy, power plants, radioactive materials, radioactive material shipments, nuclear storage, and nuclear reactor decommissioning.
- Other Related functions include those that are administrative or other mission related in nature. For example, land used for readiness and training, office building locations, storage, or vacant properties fall under this category.

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

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12. This paragraph amends SFFAS 29 to clarify the definition of stewardship land and references to general PP&E.

a. Paragraph 33 is amended as follows:

33. Stewardship Land is ~~is~~ includes both public domain<sup>14.1</sup> and acquired land and land rights<sup>15</sup> owned by the Federal Government intended to be held indefinitely, ~~but not acquired for or in connection with<sup>16</sup> items of general 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.

- a. forests and parks;
- b. recreation and conservation;
- c. wildlife habitat and grazing;
- d. historic landmarks and/or the preservation of pre-historic and historic structures (those listed on or eligible for listing on the National Register of Historic Places);
- e. multiple purpose ancillary revenue generating activity (for example, special use permits, mineral development activities, and timber production); and/or
- f. buffer zones for security, flood management , and noise and view sheds.

FN14.1 – Public domain land is land that was originally ceded to the United States by treaty, purchase, or conquest in contrast to acquired lands, which have been purchased by, given to, exchanged with, or transferred through condemnation proceedings to the federal government.

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

FN16 – ~~“Acquired for or in connection with” is defined as including land acquired with the intent to construct general PP&E and land acquired in combination with general PP&E, including not only land used as the foundation, but also adjacent land considered to be the general PP&E's common grounds.~~ Land used or acquired for or in connection with items of general PP&E but meeting the definition of stewardship land should be classified as stewardship land.

b. Paragraph 35 is amended as follows:

35. Land and land rights ~~owned by the Federal Government and acquired for or in connection with items of~~ meeting the definition of general PP&E established in SFFAS 6.

as amended, should be accounted for in accordance with SFFAS 6, as amended, and reported as general PP&E.

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

39. Transfers of stewardship land from one Federal entity to another, does not affect the net cost of operations or net position of either entity. ~~However, in some cases, land included in general PP&E may be transferred to an entity for use as stewardship land. In this instance, t~~The transferring entity entities should properly adjust for estimated acres of land and physical unit information ~~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.~~

13. This paragraph amends SFFAS 29 by rescinding paragraph 40.a–40.d.3 and replacing it with the proposed disclosure requirements to require estimated acres of land and physical unit information and clarify the sub-categorization and reporting of land use. Sub-categorization should be based on predominant use using three new sub-categories. Further, disclosures should provide information regarding land held for disposal and transfers of land.

Paragraph 40 is amended as follows:

40. Entities with stewardship land should reference a note<sup>21</sup> on the balance sheet that discloses information about stewardship land, but no asset dollar amount should be shown. The note disclosure related to stewardship land should provide the following:

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

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

~~c. A concise description of each major category of stewardship land use. Where parcels of land have more than one use, the predominant use of the land should be considered the major use. In cases where land has multiple uses, none of which is predominant, a description of the multiple uses should be presented. The appropriate level of categorization of stewardship land use should be meaningful and determined by the preparer based on the entity's mission, types of stewardship land use, and how it manages the assets.~~

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

~~1. The number of physical units by major category of stewardship land use for which the entity is the steward as of the end of the reporting period;~~

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

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

- a. A concise statement explaining how stewardship land relates to the mission of the entity should be provided.
- b. A brief description of the entity's policies for stewardship land should be provided. Policies for land are the goals and principles the entity established to guide its acquisition, maintenance, use, and disposal of land consistent with statutory requirements, prohibitions, and limitations governing the entity and the land.
- c. Information of land use by sub-category. Stewardship land and permanent land rights should be assigned to one of three sub-categories based on predominant use and reported both in physical units and estimated acres of land. The three sub-categories are commercial use land; conservation and preservation land; and operational land. Where stewardship land and permanent land rights have more than one use, the predominant use of the land should be used to sub-categorize the land.
  1. Acres of land. The estimated number of acres of land at the beginning of each reporting period, the number added during the period, the number disposed during the period, the net number transferred between categories (that is, SL and general PP&E land) or transferred among the three sub-categories during the period, and the number of acres at the end of each reporting period for land and permanent land rights should be provided.
  2. Physical unit information (in addition to acres of land). The appropriate physical units of measure of stewardship land use should be meaningful and determined by the preparer based on the entity's mission, sub-category of land use, and management of the land. For example, a physical unit might be based on the nature of the land, geographic management units, projects, goals, or activity levels. Physical unit information should include a concise definition of the physical unit, a beginning balance, units acquired, units withdrawn, transfers, and an ending balance.
- d. The number of physical units and estimated acres of land held for disposal or exchange. For purposes of this Statement, stewardship land is considered held for disposal or exchange when the entity has satisfied the legislative disposal authority requirements specific to the land in question.
- e. Stewardship land rights information should include a general description of the different types of rights acquired by the entity, whether such rights are permanent or temporary, and amounts paid during the year to maintain such rights.
- f. Entities should explain that information regarding deferred maintenance and repairs may be found in unaudited required supplementary information.

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

14. This paragraph amends SFFAS 29 by inserting additional definitions immediately after paragraph 36 as follows:

**36A. Acres of land held for disposal or exchange** includes land for which the entity has satisfied the legislative disposal authority requirements specific to the land in question.<sup>17.1</sup> Disposal includes conveyances of federal land not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.

Footnote 17.1 – 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.

**36B. Commercial use land** includes land or land rights that 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. Examples include revenue or inflows derived from

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

**36C. Conservation and preservation land** includes land or land rights that are predominantly used for conservation or preservation purposes. Conservation and preservation, although closely linked, are distinct terms. Each term involves a certain type or degree of protection. Specifically, conservation is generally associated with the protection and proper use of natural resources, whereas preservation is associated with the protection of buildings, objects, and landscapes from use.

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

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

15. This paragraph amends SFFAS 29 at paragraph 42 concerning the U.S. government-wide financial statement disclosures to require presentation of estimated acres of land by category as follows:

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

- a. A concise statement explaining how stewardship land ~~it~~ relates to the mission of the Federal Government.
- b. A description of the estimated acres of land by sub-category predicated on the predominant uses and estimated acres of land held for disposal or exchange by ~~of the stewardship land of the Federal Government.~~
- c. An explanation that information regarding deferred maintenance and repairs may be found in unaudited required supplementary information.
- d.e. A general reference to agency reports for additional information about stewardship land, such as agency stewardship policies for stewardship land and estimated acres of land, ~~and physical units by major categories of stewardship land use.~~

AMENDMENTS TO SFFAS 32, CONSOLIDATED FINANCIAL REPORT OF THE UNITED STATES GOVERNMENT REQUIREMENTS: IMPLEMENTING STATEMENT OF FEDERAL FINANCIAL ACCOUNTING CONCEPTS 4 “INTENDED AUDIENCE AND QUALITATIVE CHARACTERISTICS FOR THE CONSOLIDATED FINANCIAL REPORT OF THE UNITED STATES GOVERNMENT”

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16. This paragraph amends SFFAS 32 to revise the government-wide disclosure requirements for property, plant, and equipment. Paragraph 23 is amended as follows:

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

a. ~~a~~ A broad description of PP&E;

b. For general PP&E land

- A note on the balance sheet that discloses information about general PP&E land and permanent land rights, but no asset dollar amounts
- A concise statement explaining how general PP&E land relates to the mission of the Federal government
- A description of estimated acres of land by sub-category predicated on the predominant uses and estimated acres of land held for disposal or exchange by the Federal government
- An explanation that information regarding deferred maintenance and repairs may be found in unaudited required supplementary information
- A general reference to agency reports for additional information about general PP&E land, such as agency policies for general PP&E land and estimated acres of land

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

~~d. e. a~~ A general reference to agency component entity reports for additional information about general PP&E and general PP&E land.

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

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17. This paragraph amends SFFAS 7 to clarify guidance regarding transfers and donations of land.

- a. Footnote 14 at paragraph 62, which discusses revenue arising from donations, should include a reference to the amended SFFAS 6, paragraph 34A entitled “Expense Recognition.” Footnote 14 is amended as follows:

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. Paragraph 258 discusses non-exchange transactions with the public, specifically donations. This should include G-PP&E land. Paragraph 258 is amended as follows:

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 [general PP&E land, permanent land rights, and](#) stewardship property, plant, and equipment) is therefore a nonexchange revenue.

- c. Paragraph 259 discusses non-exchange transactions with the public, specifically donations. This should include G-PP&E land. In addition, this paragraph is amended to conform to SFFAS 23, paragraph 9d which rescinded the category name “Federal mission property, plant, and equipment.” Paragraph 259 is amended as follows:

259. The exceptions [s 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. Paragraph 296 and footnote 62 discuss sales of PP&E. This should include G-PP&E land and permanent land rights. In addition, footnote 62 is amended to conform to SFFAS 23, paragraph 9d which rescinded the category name “Federal mission property, plant, and equipment.” Paragraph 296 and footnote 62 are amended as follows:

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 [general PP&E land, 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; [general PP&E](#)

land, 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. Paragraph 345 discusses intra-governmental transfers of PP&E. This should include G-PP&E land in the requirement. Paragraph 345 is amended as follows:

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., general PP&E land and stewardship PP&E) may be transferred from one Government entity to another. If the asset was classified as either general 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. Paragraph 346 discusses intra-governmental transfers of PP&E classified as G-PP&E by the transferor but as SL by the recipient. This should not include the de-recognition requirement for G-PP&E land and permanent land rights. Paragraph 346 is amended as follows:

346. However, if the asset that is transferred was classified as general PP&E (excluding non-capitalized general PP&E land and permanent land rights) 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. Paragraph 358 discusses transfers of PP&E. This should include G-PP&E. Paragraph 358 is amended as follows:

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., general 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 general 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. Paragraph 361 discusses donations of PP&E. This should include G-PP&E. In addition, this paragraph is amended to conform to SFFAS 23, paragraph 9d which rescinded the category name "Federal mission property, plant, and equipment." Paragraph 361 is amended as follows:

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 SFFAS 42, DEFERRED MAINTENANCE AND REPAIRS:  
AMENDING STATEMENTS OF FEDERAL FINANCIAL ACCOUNTING  
STANDARDS 6, 14, 29, AND 32

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18. Paragraphs 13, 15(d), and 15(e) are amended to ensure that deferred maintenance and repair information is reported in non-capitalized G-PP&E land.

a. Paragraph 13 is amended as follows:

13. DM&R should be measured and reported for capitalized general PP&E, non-capitalized general PP&E land (to include permanent land rights), and stewardship PP&E. DM&R also may be measured and reported for general PP&E other than land and permanent land rights that is non-capitalized or fully depreciated general PP&E. DM&R should include funded maintenance and repairs (M&R) that have been delayed for a future period as well as unfunded M&R. DM&R on inactive and/or excess PP&E should be included to the extent that it is required to maintain inactive or excess PP&E in acceptable condition. For example, inactive PP&E may be maintained or repaired either to comply with existing laws and regulations, or to preserve the value of PP&E pending disposal.

b. Paragraph 15 is amended as follows:

15. At a minimum, the following information should be presented as required supplementary information (RSI) for all PP&E (each category established in SFFAS 6 should be included) regardless of the measurement method chosen.

Qualitative **(NOTE: No edits are proposed for items 15.a–15.c or 15.f–15.g.)**

d. Whether DM&R relates solely to capitalized general PP&E and non-capitalized general PP&E land, stewardship PP&E, or also to amounts relating to non-capitalized or fully depreciated general PP&E

e. Capitalized and non-capitalized general PP&E, ~~and~~ non-capitalized heritage assets, and stewardship land for which management does not measure and/or report DM&R and the rationale for the exclusion

## EFFECTIVE DATE

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19. The requirements of this Statement are effective for reporting periods beginning after September 30, 2021. Early adoption is permitted.

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 necessary to address implementation issues arising from 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 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*.
- 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 land management, categories of land, and physical quantity information.
- A4. Most recently, SFFAS 50 amended SFFAS 6 and rescinded SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Financial Accounting Standards 6 and 23*, 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 acres of land and expensing of future acquisitions.
- A5. 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 G-PP&E land acquired for similar purposes. That is, G-PP&E 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 SL is expensed when acquired, and quantity information is presented in the notes to the financial statements.

- A6. While developing and refining the project plan, some Board members requested that any forthcoming guidance be consistently applied. To that end, the Board directed staff to identify available options, along with associated benefits and drawbacks. In particular, the Board asked staff to consider user information needs; explore and identify the information agencies use to manage land; identify types of information, such as acres of land, that would help demonstrate the government's stewardship and accountability over federal lands; address whether land held for disposal (for example, sale, public-private partnerships, donated to state and local governments) should be valued; and consider whether a uniform land accounting policy is a viable option given initial agency and task force feedback that current land categorizations of SL and G-PP&E land be retained.
- A7. To assist in evaluating options for improving the consistency<sup>5</sup> and relevance of information regarding land, a land task force was created consisting of representation from federal agencies, the commercial sector, and citizens. The task force held meetings between June 2016 and April 2017. Participants came from diverse disciplines, such as accounting, auditing, civil engineering, financial reporting, business consulting, and program management. The majority of participants agreed that there is significant interest in how agencies manage land on behalf of the public and how this information is communicated to financial statement users.
- A8. Due to the divergent views among task force participants, principally among preparers and users, reaching consensus on the major issues proved challenging. To best meet the project goals and objectives, staff, in addition to engaging in task force discussions, initiated fact-finding meetings with three land-holding agencies: the Department of Defense (DoD), the Department of Energy, and the Department of Interior. Notably, retaining the current land categorizations of SL and G-PP&E land was the one area in which preparers and users unanimously agreed.

### User Needs

- A9. The Board has identified various user needs that consider citizens, federal executives and managers, and congressional users<sup>6</sup> through a variety of initiatives and discrete projects over the years, including this project.
- A10. Citizen-users want understandable financial information that is verified or audited so that they can participate in the democratic process and engage in discussions about the nation's finances. They are generally interested in the federal government's

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<sup>5</sup> Criticisms over consistency have arisen because current standards differ in how entities report land; for example, G-PP&E land is capitalized, whereas SL is not. As such, some believe that reporting is inconsistent and obscures how a user can assess an entity's performance over land management.

<sup>6</sup> For example, at the April 29, 2010, Board meeting, members discussed the comprehensive FASAB 2010 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. These comments included those supporting and not supporting the project. Comments supporting the project's priority expressed concern with the lack of consistency (giving rise to lack of comparability) in financial accounting over land. Comments expressing disagreement with the project's priority noted that while in theory it is important to consistently report land holdings, land generally does not affect operating effectiveness because most of it is held in a stewardship capacity.

financial health, its use of resources, and its accomplishments with the funds provided. In particular, citizens want to know about the federal government's assets and liabilities, specific agency or program results, and whether funds were used for their intended purpose and not wasted. Citizens also rely on financial reporting to support their varied work through the use of financial statement amounts as control totals and disclosures 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.

- A11. Federal executives and managers need information that is timely, accurate, and understandable regarding the status of their budgetary resources and the performance of their programs. Availability of this information is a key concern for them because they need information, in some cases, more timely than their existing financial systems can provide. As a result, they sometimes seek information outside of the financial system. In some cases, information from these outside systems is not verified or audited. As a result, multiple systems may be involved in federal executives and managers' efforts to obtain timely and accurate information. Moreover, these leaders admit they may not always understand the information provided in financial reports; therefore, they develop their own customized data and reports. Consequently, it appears 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 information that management uses in its land portfolios is not reliable for financial reporting. Furthermore, in 2011 the Government Accountability Office (GAO) assessed the potential reliability of data elements five agencies collect and determined that less than half of the data elements stored in a primary agency data system were potentially reliable.<sup>7</sup>
- A12. Congressional users 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 GAO, the Congressional Budget Office, and the Congressional Research Service. 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.

## Land Valuation

- A13. 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 this 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 or ascertain the reasonableness of a fair market value appraisal (both, for example, by applying escalation factors). Another user pointed to the reporting objectives (that is,

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<sup>7</sup> GAO, *Federal Land Management: Availability and Potential Reliability of Selected Data Elements at Five Agencies*, GAO-11-377 (Washington, D.C.: April 20, 2011).

Stewardship and Systems and Controls) as directly benefiting from the requirement to report land's historical cost on the balance sheet and thus increasing reliability of the financial statements.

- A14. In considering how to value land, the Board is guided by two overarching principles: (1) entity accountability and (2) comparable reporting of federal land holdings (both within and across entities). In evaluating these principles, the Board believes both can be satisfied from a financial display, by presentation of non-financial information (NFI),<sup>8</sup> or a combination of both (for example, incorporating information into the Statement of Financial Position using appropriate recognition and measurement criteria).
- A15. Because historical cost information is not useful to the majority of users and the majority of the task force and users believe that reporting of land is currently deficient, the Board considered alternate measurement attributes such as fair value and value-in-use. The Board explored fair value and value-in-use measurement attributes.

### **Fair Value**

Although fair value was considered important to users, requiring fair value estimates for all federal land would not only be cost prohibitive, but could in many cases lack reliability. This could especially be true for land where no comparable tracts or active markets exist. Because few active markets exist, estimating fair values would require different approaches resulting in inconsistencies and lack of comparability. Such conditions undermine relevance and contribute to user uncertainty. Moreover, many entities do not have the internal expertise or systems to make such measurements and would therefore be required to engage outside experts. Such a requirement would impose significant costs and burden agencies unreasonably, especially given that frequent re-measurements would also become necessary. This process would involve deciding whether to use nominal or constant dollars. That is, isolating holding gains between general price increases from specific land or asset value increases would not be cost beneficial. Given that no active market exists, this would result in less reliable user information at an unjustifiably high cost and preparer burden.

### **Value-in-Use**

The Board determined that value-in-use estimates might be cost-beneficial in limited cases. However, because they are entity specific and may be subjective, applying a value-in-use measurement attribute to land would undermine consistency and comparability, adversely affecting relevance and user reliability.

- A16. Accordingly, the Board believes that fair value and value-in-use measurements would require re-estimations that would reduce relevance and comparability and increase cost. However, the Board believes the proposed standards can help better meet user needs through the presentation of NFI (for example, acres of land), which does not suffer from recurring price variability or service-capacity assessments. Furthermore, users benefit from NFI because distortions caused by differing accounting standards or financial re-measurements of the land are eliminated and replaced by more static metrics, such as acres of land and predominant use categorizations. The Board

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<sup>8</sup> The Board noted in SFFAC 1, par. 70, that in some cases, financial information alone is insufficient for decision-making. Within this exposure draft, the Board has identified that "nonfinancial information" includes information on acres of land, land held for disposal or exchange, predominant use, revenue generating land, and unit count.

believes that adopting NFI will mitigate preparer burden by (1) eliminating the requirement to capitalize land associated with G-PP&E and (2) utilizing NFI that most agencies collect for program management or other external reporting purposes. Therefore, the Board proposes reclassifying G-PP&E land as a non-capitalized asset with no dollar amounts reported on the balance sheet.

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

- A17. To improve the comparability of reporting federal land holdings and the uniformity of disclosures, the Board requested the task force to identify categories in addition to the land categories currently in use: SL and G-PP&E land.
- A18. The task force reviewed two primary federal sources that address land use designations for federal lands: *Federal Real Property Inventory Reporting* from the General Services Administration (GSA) and a GAO report entitled *Federal Land Management: Availability and Potential Reliability of Selected Data Elements at Five Agencies*. The GSA reporting guidelines identified 24 discrete (plus an “all other” category) land-use designations. The GAO report examined 57 discrete land and resource data elements collected by five federal agencies: the United States Department of Agriculture’s U.S. Forest Service, the Department of the Interior’s Bureau of Land Management, Fish and Wildlife Service, National Park Service, and Bureau of Reclamation, and DoD.
- A19. After several iterations and separate analyses, the task force and the user sub-group narrowed land classification to three sub-categories predicated on land-use that both G-PP&E and SL could be classified under: (1) conservation and preservation land; (2) operational land; and (3) commercial use land.
- A20. Consistent with the task force’s recommendation to retain the current land categorizations of SL and G-PP&E land, the Board believes that these three sub-categories would help clarify the existing requirements concerning the categorization and reporting of land and better reflect user needs.

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

- A21. SFFAS 6 establishes three categories of PP&E: (1) general PP&E, (2) heritage assets, and (3) stewardship land. General PP&E includes land and land rights acquired for or in connection with other general PP&E (such as office buildings or infrastructure) used to provide general government services or goods. Stewardship land is 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 forests, parks, and land used for wildlife and grazing. Categorizing land in accordance with SFFAS 6 is predicated on an entity’s intended use of the land at acquisition and not necessarily how the land is ultimately used. Due to concerns over inconsistent accounting and reporting of federal land, the Board asked the task force to assess whether the two PP&E land categories should be replaced with one land category.
- A22. Although some on the task force noted that a single land category would in theory simplify reporting, others were concerned the existing distinction between G-PP&E land and SL would be lost. Also, some noted that such an approach would change current measurement and recognition requirements for SL with no benefits. To

explore the matter further, the task force analyzed the two primary federal sources identified at paragraph A18.

- A23. After 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 categories should be retained. Accordingly, the task force advised the Board to consider adding the three sub-categories based on how the entities use the land they manage. Such land-use designations would greatly improve information for existing users, broaden readership, and help meet financial reporting objectives. The three land-use sub-categories are (1) conservation and preservation land; (2) operational land; and (3) commercial use land. Refer to Appendix B: Illustrations for illustrations concerning the three sub-categories.
- A24. The Board is proposing to adopt these three sub-categories of land use to complement the general PP&E and SL land categories. In addition, the Board is proposing to refine the distinction between general PP&E land and SL in two ways. First, rather than base categorization on intent at the time of acquisition (which may have been many decades ago), the Board proposes to make the general PP&E and SL distinctions based on actual use during the reporting period. Second, the Board proposes clarifying that general PP&E land should (1) possess one or more of the characteristics identified in SFFAS 6, paragraph 23<sup>9</sup> and (2) exclude any withdrawn public lands or land restricted for conservation, preservation, historical, or other like restrictions. That is, such land would remain categorized as stewardship land.

### Developing Uniform Land Disclosure Requirements

- A25. In addressing long-standing issues concerning disclosures over federally managed land and questions arising from the Board's decision<sup>10</sup> to allow, under specific conditions, an exclusion of G-PP&E land and land rights from opening balances with disclosure of acres of land (and expensing of future acquisitions), the Board has developed uniform disclosure requirements that would apply to both G-PP&E land and SL. The most notable issues this project addresses include the following:
- a. Inconsistent reporting of G-PP&E land arising from differences in how opening balances are valued as permitted by SFFAS 50—exclusion of land and land rights from opening balances
  - b. Incomplete reporting on land where neither the total cost of land nor the total physical quantity of land is consistently reported
  - c. Concerns that some information that is currently reported is inconsistent with FASAB's reporting objectives and qualitative characteristics

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<sup>9</sup>General property, plant, and equipment is any property, plant, and equipment used in providing goods or services. General PP&E typically has one or more of the following characteristics: • it could be used for alternative purposes (e.g., by other Federal programs, state or local governments, or non-governmental entities) but is used to produce goods or services, or to support the mission of the entity, or • it is used in business-type activities, or • it is used by entities in activities whose costs can be compared to those of other entities performing similar activities (e.g., Federal hospital services in comparison to other hospitals)." SFFAS 6, par. 23.

<sup>10</sup> SFFAS 50.

- d. Limited value of historical/acquisition cost information for capitalized land, given that such information may lose relevance over time due to general inflation and specific changes in the value of land
- e. Whether stewardship land and G-PP&E land should follow a consistent accounting and reporting approach

In connection with the Board's proposal to reclassify G-PP&E land as a non-capitalized asset, the Board believes that developing uniform disclosure requirements would satisfactorily address these issues and increase informational value. The development of the proposed requirements has been primarily taken from existing requirements contained in SFFAS 29 (disclosure of how land relates to an entity's mission, its policies over land, and physical unit information) and modified based on the Board's analysis of the land task force's findings and recommendations (requiring the reporting of acres in three predominant use sub-categories, identification of land held for disposal or exchange, and disclosure of land rights information).

### Proposed Definitions

A26. As previously noted, the task force recommended that the current land categorizations of SL and G-PP&E land be retained. Also, as a result of task force efforts to identify land-use categories, the Board believes there is a need to (1) clarify the SL and G-PP&E definitions, (2) define acres of land held for disposal or exchange, and (3) define definitions for the three land-use sub-categories (illustrated at Appendix B: Illustrations). The Board believes that these actions would help clarify existing requirements concerning the categorization and reporting of land and better reflect user needs. Please refer to the Glossary at Appendix D for the proposed definitions.

A27. Clarifying the SL and G-PP&E land definitions

- a. The current definition of stewardship land contained in SFFAS 29, paragraph 33 reads as follows:

*Stewardship Land is 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.*

- b. It is the Board's opinion that the definition of SL can be improved by
  - i. noting that SL includes both public domain land and land subsequently acquired;
  - ii. clarifying that, in some cases, SL may be acquired for or used in connection with G-PP&E, such as SL used for military security or aircraft noise buffer zones; and
  - iii. expanding the list of SL examples.

Please refer to paragraph 12 for the proposed amendments to the SL definition.

- c. The Board noted that reclassifying G-PP&E land and permanent land rights as a non-capitalized asset with no dollar amounts reported on the balance sheet requires several amendments in addition to revising the G-PP&E land definition. Please refer to the proposed amendments at paragraphs 8–10.
- A28. Concerning land held for disposal or exchange, disposal authorities are generally designed to permit entities to dispose of 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.
- A29. The Board proposes that, consistent with the proposed disclosure of estimated acres of land, land held for disposal or exchange be disclosed in terms of physical units and acres of land. The Board notes that land is considered held for disposal or exchange only when the entity has satisfied its legislative disposal authority requirements. For example, 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. Disposal includes conveyances of federal land not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.
- A30. Conservation and preservation land - The Board proposes that, consistent with the proposed disclosure of estimated acres of land, conservation and preservation land be disclosed in terms of physical units and acres of land. For example, the Board proposes that the following land-use activities be included in this sub-category: 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.
- A31. Operational land - The Board proposes that, consistent with the proposed disclosure of estimated acres of land, operational land be disclosed in terms of physical units and acres of land. For example, the Board proposes that the following land-use activities be included in this sub-category: military, scientific, nuclear, administrative, office building locations, training facilities, airfields, office building locations, power development and distribution areas, research and development, space exploration, outpatient healthcare, communication systems locations, flood control and navigation, housing and institutional, storage, and vacant.
- A32. Commercial use land – The Board proposes that, consistent with the proposed disclosure of estimated acres of land, commercial use land be disclosed in terms of physical units and acres of land. For example, the Board proposes that the definition include land or land rights that are used to generate inflows of resources from non-federal third parties. Examples of land use activities that would be included in this sub-category include revenue or inflows derived from concession arrangements, grants, land sales or exchanges, leases, permits for public use, and public-private partnerships.

## Permanent Land Rights

- A33. Due to their nature, permanent land rights, such as easements and rights-of-way, permit an entity to use land legally owned by another. For example, an entity may enter into an agreement for the purpose of acquiring certain rights to build and maintain a utility sub-station and transmission lines. In exchange, the landowner is paid for the easement and may or may not continue to use the land depending on the nature of the easement. Should the easement instrument signed by the landowner (1) convey the majority of rights to the entity either indefinitely or long-term and (2) limit the landowner's use of the land, such rights should be considered permanent in nature and subject to the requirements of this statement. The Board intends this Statement to apply to permanent land rights acquired from non-federal entities.

## Types of Non-financial Information (NFI)

- A34. Prior FASAB analyses of user needs revealed that financial statements are a starting point for users, and they often consult other sources to obtain desired information. Because general purpose financial reporting is primarily designed for external users of financial reports, the Board believes it should not overestimate the importance of land information in financial statements to any one set or group of users. However, the Board believes additional information should be included within the financial report to allow users to assist them in their analyses of entity performance. The Board believes this can be best accomplished using NFI.
- A35. The task force initially developed five types of NFI (data-points) as a result of its 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 the information. The types of NFI along with reasons they were included follow:
- a. Acres of land – Without information regarding acres of land, any financial information on land becomes less meaningful. Reporting acres of land was also seen as critical to meeting the reporting objectives. Of all the types of NFI that the task force reviewed, acres of land received the most support for presentation as NFI (disclosure being the most favored).
  - b. Held for disposal or exchange – Valuing and reporting on land held for disposal or exchange would help to meet FASAB's Operating Performance, Stewardship, and Systems and Controls reporting objectives. Also, it would increase accountability and transparency. The task force was evenly split on presenting this information as a note disclosure and excluding this information from NFI.
  - c. Predominant use – Information for academic or commercial analyses of public land allows for more uses of financial statement information. It also increases comparability in land reporting across agencies. The majority of task force members supported predominant use for presentation (RSI being the most favored).
  - d. Revenue-generating land – Information about land that generates revenue is essential for analyses of public land options. This is also needed for transparency, visibility, and comprehension of federal revenues reported in the financials. This is an area of congressional interest as noted by GAO in their

report entitled, *Federal Land Management, Availability and Potential Reliability of Selected Data Elements at Five Agencies*, report GAO-11-377 dated April 2011. In addition, this information allows for more uses of financial statement information and would make connecting acres of land and value to other entries in the financials more straightforward. The majority of the task force members supported this information for presentation (RSI being the most favored).

- e. Unit count information – The value of this information increases significantly when combined with acres of land and any of the other supported information types. The task force was evenly split on presenting unit count information as a note disclosure and excluding this information from NFI.
  
- A36. In reviewing the five recommended types of NFI, the Board determined acres of land held for disposal should be disclosed because acres of land is the common denominator among preparers and users. Disclosing acres of land provides context for financial information and addresses concerns regarding stewardship, accountability, and transparency. That is, financial information (historical cost) about land thus far provided to users without number of acres has been less meaningful to users.
  
- A37. The Board agrees valuing and reporting land held for disposal supports the reporting objectives. As demonstrated by the task force’s research into this area, citizen-users are keenly interested in how an entity uses its land and desire greater transparency. Moreover, congressional users are also interested in the amount of land an entity manages and how it is used, revenues generated from selected activities on land, and land subject to selected land-use designations including potential disposal.
  
- A38. Given that the Board believes land should not be capitalized (that is, measured or recognized) on the balance sheet, information on acres of land and land held for disposal along with the other NFI proposals contained herein allow entities to continue meeting the reporting objectives.

### **Determining Where Information Should Reside**

- A39. To communicate information to users, the Board analyzed and categorized the five types of NFI to determine where this information should be included within the financial report. To this end, the Board was primarily guided by (1) existing reporting/disclosure requirements, (2) prior Board decisions concerning the importance of PP&E including SL, and (3) the extent to which this information interests a wide audience.
  
- A40. With the assistance of the task force and sub-group users, the Board determined predominant use, acres of land, and land held for disposal or exchange are items of great interest to users. Additionally, members believe the fair presentation of this information is important. That is, in SFFAS 29, *Heritage Assets and Stewardship Land*, the Board concluded information on heritage assets (HA) and SL (except for condition) should be basic information because it (1) was deemed essential to fair presentation and understanding the entirety of an entity’s financial condition, (2) required more audit scrutiny than would be afforded if it were considered RSI, and (3) was deemed consistent with the Governmental Accounting Standards Board

(reporting on art and historical treasures) and the Financial Accounting Standards Board (collections, other works of art, and historical treasures).

- a. Predominant use – Predominant use information is currently required to be reported as basic information by SFFAS 29 for SL.<sup>11</sup> SFFAS 6 currently requires categorization of PP&E as either general, HA, or SL. Currently, land categorization reflects intended use at the time of acquisition/construction. This proposal refines the classification between general PP&E land and SL by basing the sub-categorization on predominant use during the reporting period. This information is useful for academic and commercial analyses of public land and allows for more uses of financial statement information. Also, predominant use information increases comparability in land reporting across agencies. Please refer to the discussion entitled *Land Use – Categorizing Land Consistently* at paragraphs A22 –A25 for additional discussion regarding the presentation of this information. The Board proposes that this information remain as basic information.
- b. Revenue generating –Because information regarding revenue generating land reflects a land (resource) use, the task force recommended that this information be considered a distinct and separate element for reporting. However, the Board concluded it can be satisfactorily reported under the predominant use disclosure. Such disclosure can be accomplished by categorizing revenue generating land under the commercial use sub-category. The Board concluded this is essential information for analysis of public land options and needed to understand federal revenues reported in the financials. Also, this allows for more uses of financial statement information and facilitates connecting acres of land and value to other entries in the financials more directly. Lastly, the GAO and task force have noted that information pertaining to revenues generated from federal land is important to Congress as well as other financial report users.
- c. Acres of land – Financial information on land becomes more meaningful with the number of acres. Given that the Board concluded not to require land to be measured or recognized on the balance sheet, this information should be subjected to the same audit scrutiny as information about other assets. Therefore, the Board concluded that the number of acres should be reported as basic information to continue meeting the reporting objectives.
- d. Land held for disposal or exchange – The Board agrees that valuing and reporting on land held for disposal or exchange have a positive effect on the reporting objectives. However, to be consistent with its position to not require recognition or measurement of land on the balance sheet, the Board proposes this information be reported as basic information.
- e. Unit count information – Unit count information is currently required by SFFAS 29 to be reported as basic information. The value of this information is enhanced when combined with the number of acres and any one of the other above types of NFI. The Board proposes this information remain as basic information.

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<sup>11</sup> “Where parcels of land have more than one use, the predominant use of the land should be considered the major use.” SFFAS 29, par. 40.c.

- A41. Due to its importance to users and relevance to the reporting objectives, the Board proposes that entities report this additional information (that is, the requirement to categorize land and acres of land held for disposal) as basic information through note disclosure.

### **Preparer Burden**

- A42. The land task force addressed preparer burden and ranked several constraints other than system integration issues that impede federal preparers' ability to prepare financial statements. In order of task force ranking, the constraints are as follows:

- a. Inadequately trained staff
- b. Lack of experienced staff
- c. Requirements overload
- d. Continually shifting priorities
- e. Lack of senior level management support

Additionally, some preparers noted they are not the operational or program leads 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. In some cases, accounting requirements have little to no bearing on supporting the mission.

- A43. The Board realizes that the financial management community as well as operational and program personnel have difficult challenges they face day-to-day in accomplishing their mission. To that end, the Board has elected to focus on ensuring that the costs of providing land information are commensurate with user benefits.
- A44. The Board acknowledges that, in general, resources are limited. Because new requirements take time to implement, accounting requirements compete with internal needs. Members believe this trade-off is just one of many cost-benefit factors that the Board should consider as it addresses the issues outlined in this proposed Statement.
- A45. In addition to considering user needs and preparer burden, other key factors contributing to a cost-benefit analysis include the following:
- a. Budget constraints and uncertainties are not infrequent in the federal space and should not solely be the basis for not improving financial reporting.
  - b. Identifying the proper accounting for land is paramount and separate from implementation issues.
  - c. Standards can be written to help ease implementation issues; For example, proposing longer lead-times to effective dates or using a phase-in approach can help ease implementation issues.

## Other Conforming Revisions

- A46. To ensure linkage between component entity reporting and the government-wide disclosure requirements, conforming amendments to SFFAS 32, *Consolidated Financial Report of the United States Government Requirements*, are required. Conforming amendments to SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, are also proposed given that SFFAS 7 provides guidance regarding transfers and donations of land.
- A47. In addition to federally owned lands, some agencies hold land in trust (fiduciary land). Most notable are the tribal lands held in trust by the Bureau of Indian Affairs (BIA). The Board considered whether land held in trust should be addressed through these amendments and decided that doing so would require significantly more research. Research areas include (1) the effectiveness of existing requirements, (2) consultation with users including trust beneficiaries, (3) appropriateness of federal financial reporting objectives, and (4) the costs and benefits of expanding fiduciary activity reporting.
- A48. SFFAS 31, *Accounting for Fiduciary Activities*, applies to land held in fiduciary activities. It requires federal entities to distinguish the information relating to fiduciary activities from all other activities. Accordingly, fiduciary assets are not recognized on the balance sheet. Instead, a note disclosure providing the following information<sup>12</sup> about the federal entity's fiduciary activities is required:
- a. An explanation of the nature of the fiduciary relationship
  - b. A schedule of fiduciary net assets
  - c. A schedule of fiduciary activity
- A49. Because federal generally accepted accounting principles provide for certain assets—SL and HA—to be disclosed rather than recognized, SFFAS 31 includes requirements for a Schedule of Changes in Non-Valued Fiduciary Assets. This includes a description of the assets, beginning quantity, quantity received, quantity disposed of, net increase/decrease in non-valued fiduciary assets, and ending total quantity. Non-valued fiduciary assets may include land, HA, and natural resources.
- A50. While including amendments to reporting for land managed through fiduciary activities in the scope of this project might be expected, the issues are broader, reporting objectives are potentially different, and the stakeholders are different than those for federally owned land. Also, there may be factors regarding land use and management that should be considered before determining the most appropriate information (including categorization) to report. For example, there are cooperative arrangements between beneficiaries, such as tribal governments, and federal reporting entities, such as the BIA. The cost-benefit of expanding the fiduciary activities disclosures should be considered; costs and benefits may differ from federally owned land.

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<sup>12</sup> Items reported in the fiduciary schedules must be measured in accordance with any of the generally accepted accounting principles recognized by the Association of International Certified Professional Accountants (formerly the American Institute of Certified Public Accountants).

Therefore, the Board concluded this proposed Statement does not directly affect fiduciary activities.

## Supporting Documentation

- A51. The Board has continually noted the concerns associated with providing corroborating documentation on historical assets including land. In the Basis for Conclusions to SFFAS 29 (par. 86-88), the Board briefly discusses the fundamental issues associated with historical assets and SL. In addition, Technical Release (TR) 9, *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*, addresses this difficulty by specifically noting the complexities regarding land. For example, federal land was acquired through (1) ceded territory by the original thirteen colonies, (2) territorial annexations, (3) purchases, and (4) treaties. Acquisitions and disposals of land were not documented in the same manner as modern-day land transactions. TR 9 addresses that records and detailed listings from these periods generally do not exist. As a result, the Board believes that management's assertion concerning land ownership and its related estimates of acres of land must be based on non-traditional supporting documentation and reasonable acre estimates, respectively. The Board notes that it (1) does not seek exact precision in determining estimated acres of land or predominant use assessments and (2) does not intend to direct or prescribe the use of any particular approach.
- A52. The Board believes that it can facilitate effective reporting on land by (1) providing implementation guidance incorporating aspects of TR 9 and (2) reminding readers that because most federal land was acquired in a variety of ways and over the nation's early settlement and formation, it is not unreasonable that supporting documentation will be developed using alternative methods and/or take on different forms of corroboration as foreseen by T R 9. For example, ownership can be evidenced by public law, treaties, entity certifications, maintenance or renovation contracts, historical maintenance records, a history of payment of invoices, minutes of meetings, historical databases, initial surveys of land, a history of past/historical practices (for example, the length of time an entity controls the land establishing de facto ownership), or other relevant sources of information. These alternatives may provide acceptable evidence of government ownership. Entities could use the above forms of supporting documentation to reasonably estimate acres of land or rely on management tools such as Geospatial Information. The Board expects preparers to apply a variety of methods and techniques in arriving at estimates. Acknowledging that non-traditional supporting documentation to develop reasonable acre estimates would satisfy the proposed requirements, the Board proposes that the requirements become effective for reporting periods beginning after September 30, 2021. In establishing the proposed effective date, the Board considered the time needed for reporting entities to (1) develop and implement related policies and procedures, (2) establish acres of land and physical unit information as of the beginning of the year of implementation, (3) develop and maintain supporting documentation, (4) develop and implement processes for capturing and recording transactions during the year, and (5) validate that the required information is independently verifiable or auditable.

## Physical Unit Information (Measurements)

A53. The Board envisions addressing physical unit measurements in subsequent implementation guidance. Until such time, the Board notes that physical unit information should be meaningful, relevant, and determined based on how an entity manages its land holdings. Physical unit information should reflect an entity’s mission, the type of land being managed, and related asset management practices employed during the reporting period. The following physical unit measurements and related examples<sup>13</sup> are provided to assist preparers in selecting meaningful and relevant physical unit information:

Physical Unit Measurement Types	Examples
1. Physical nature (PN)	<ul style="list-style-type: none"> <li>• Parks, forests, refuges, and installations</li> <li>• Annexes, buffer zones</li> <li>• National monuments, national labs</li> </ul>
2. Geographic management unit (GMU)	<ul style="list-style-type: none"> <li>• State, region, field, district, zone, township, parcel, and tract</li> <li>• Administrative office</li> </ul>
3. Project (P)	<ul style="list-style-type: none"> <li>• Water and/or energy</li> <li>• Watershed based: catchment, hydrologic units, etc.<sup>14</sup></li> </ul>
4. Activity level (AL)	<ul style="list-style-type: none"> <li>• Active / inactive / excess</li> </ul>
5. Operational status (OP)	<ul style="list-style-type: none"> <li>• Mission critical (MC) vs. non-critical (NC)</li> </ul>

<sup>13</sup> Physical unit measurement types should reflect a characteristic or distinguishing feature to categorize and quantify land holdings in non-monetary terms. Such characteristics or distinguishing features should be consistent with information contained in internal management systems. The related examples are provided to assist preparers in selecting meaningful physical unit information in accordance with the proposed Statement. The list is not exhaustive and additional items of information may be necessary to meet the proposed requirements, even if not specifically identified.

<sup>14</sup> The United States is divided and sub-divided into successively smaller hydrologic units which are classified into four levels: regions, sub-regions, accounting units, and cataloging units. The hydrologic units are arranged or nested within each other, from the largest geographic area (regions) to the smallest geographic area (cataloging units). Each hydrologic unit is identified by a unique hydrologic unit code (HUC) consisting of two to eight digits based on the four levels of classification in the hydrologic unit system. The USGS Hydrologic Unit Maps; available online at <https://water.usgs.gov/GIS/huc.html>; last accessed March 14, 2018.

- A54. The Board notes that each of the items in the above table can be standalone measurements or be used in connection with other items. For example, in addition to reporting land holdings by their physical nature (PN), an entity may elect to also report the related activity level or operational status. Preparers should be guided by the Board's principle that physical unit measurements be meaningful, relevant, and reflect how an entity managed its land holdings during the reporting period.

Although the Board has previously noted that such determinations are highly subjective and require the use of professional judgment, criteria exist to help preparers consistently develop meaningful and relevant physical unit measurements. The following criteria<sup>15</sup> should be considered in the aggregate when selecting physical unit measurement(s):

- a. **The entity's mission and relationship to its land portfolio.** For example, an entity may have been created or administratively established to manage or acquire land for specific purposes, such as environmental protection, mineral or mining exploration and recovery, and nuclear or scientific studies. In such cases, management should consider reporting physical unit information in the context of the entity's primary mission. As such, reporting physical unit measurement in terms of Project (P), Activity Level (AL), and Operational Status (OP) may be most appropriate.
- b. **The entity's organizational structure and relationship to its land portfolio.** If an entity's land holdings have resulted in the creation of separate bureaus or departments to manage and control them in different ways, management should consider reporting physical unit information in the context of a Geographic Management Unit (GMU). This can include the number of regional or district offices. If the entity assigns land holdings to a bureau or department primarily based on their specific uses, management should consider reporting physical unit information in another category such as Physical Nature (PN) or Project (P).
- c. **Internal asset (land) management practices.** An entity may have a dual mandate to both conserve and preserve land holdings. Although conservation and preservation are closely linked, they are distinct terms involving a certain type or degree of protection. As such, they often require different management practices. Specifically, conservation is generally associated with the protection and proper use of natural resources, whereas preservation is associated with the protection of objects and landscapes from use. In this case, an entity should consider reporting physical unit information reflecting the distinct asset management practices. The entity may elect to report preservation land by its Physical Nature (PN) and its conservation land by Project (P) or Geographic Management Unit (GMU).
- d. **Relationship to estimated acres of land.** An entity may have significant amounts of land deployed as buffer-zones at its major installations for security purposes. Entity management should consider reporting physical unit information in the context of its Operational Status (OP) and Activity Level (AL). Therefore, such buffer-zones could be reported as being Active and Mission Critical (MC).

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<sup>15</sup> The criteria are presented in a non-prioritized list for consideration in the aggregate. Assignment of individual weight to any of the criteria is a matter of professional judgement.

Similarly, another entity may also have significant amounts of land deployed as view-sheds (that is, all land surrounding a point-of-interest that is in a line-of-sight with that location and excludes points that are beyond the horizon) that are not fenced-off and are open to the public for recreational purposes. In this case, entity management should consider reporting physical unit information in the context of its Physical Nature (PN) and Geographic Management Unit (GMU). Moreover, land comprising the view shed could also be reported as being Inactive (Operational Status) and Mission Critical (MC).

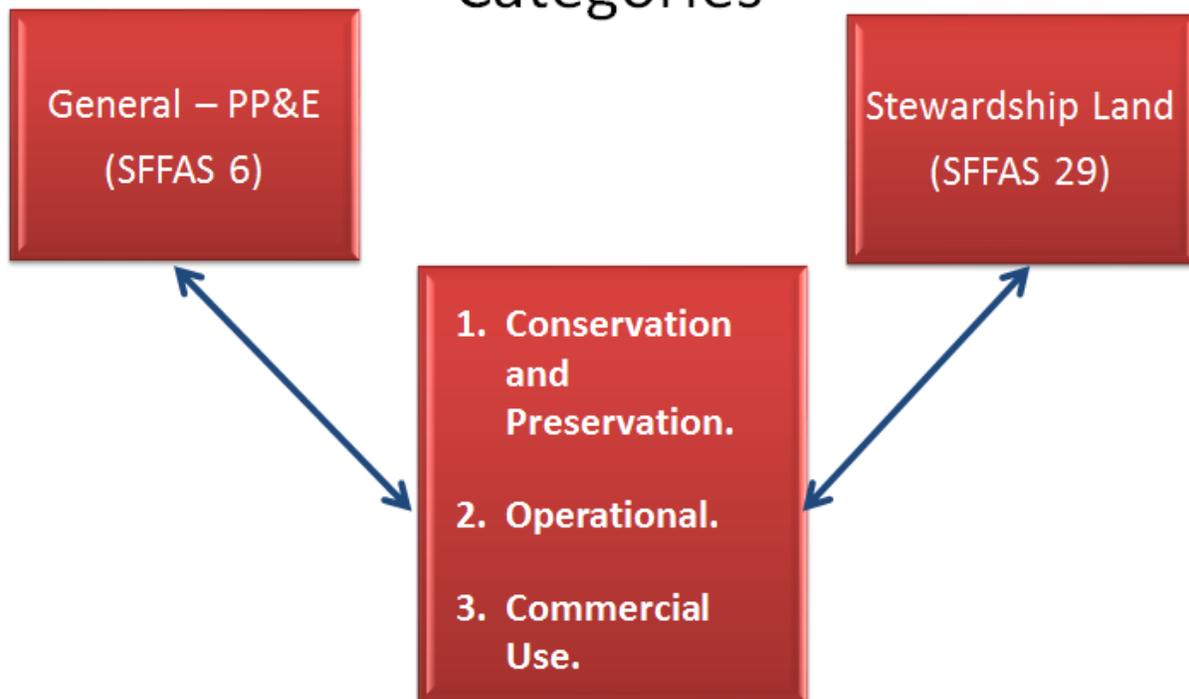
## APPENDIX B: ILLUSTRATIONS

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

This appendix illustrates the application of certain key provisions of this proposed Statement to assist in clarifying their meaning. The following partial sample illustrations at Appendices B-1 through B-2 are intended to aid in the application of these key provisions and not illustrate compliance with all of the proposed disclosure requirements.

The Board has noted the potential need to have additional sub-categories predicated on predominant land-use to complement the land categories currently in use: SL and G-PP&E land. Illustrations demonstrating how the Board envisions the sub-categories complementing the existing requirements follow:

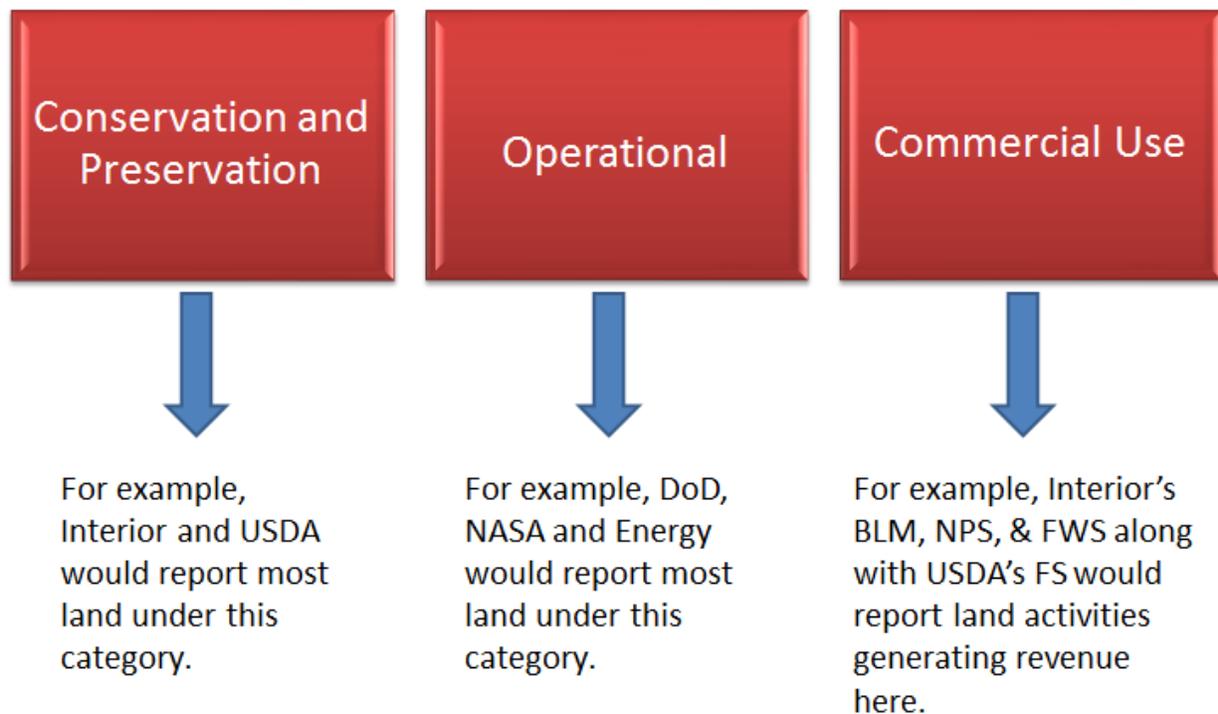
### Complementing Existing Land Categories



The additional sub-categories follow:

- (1) **Conservation and preservation land**
- (2) **Operational land**
- (3) **Commercial use land**

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



## 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 sub-category.

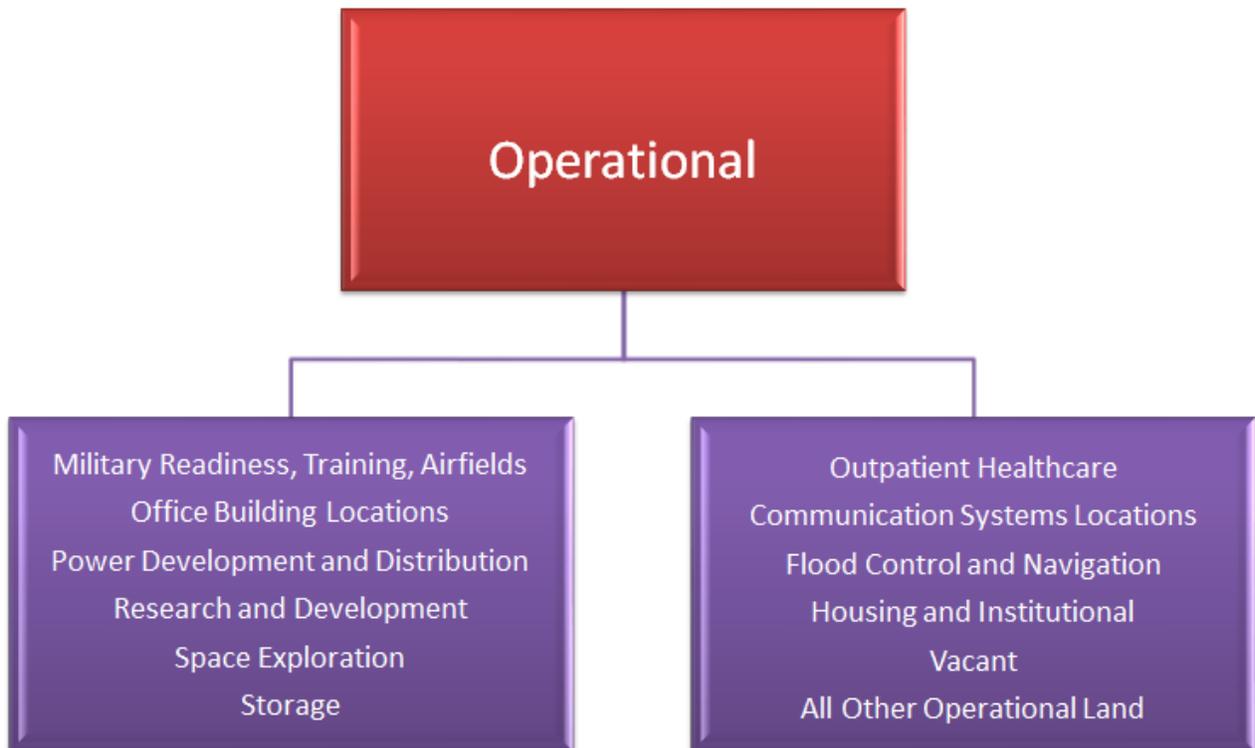
# Conservation and Preservation Land Use Sub-categories



## Operational Land Use Sub-categories

The following illustration shows what sub-categories or activities could be included within the operational land use sub-category.

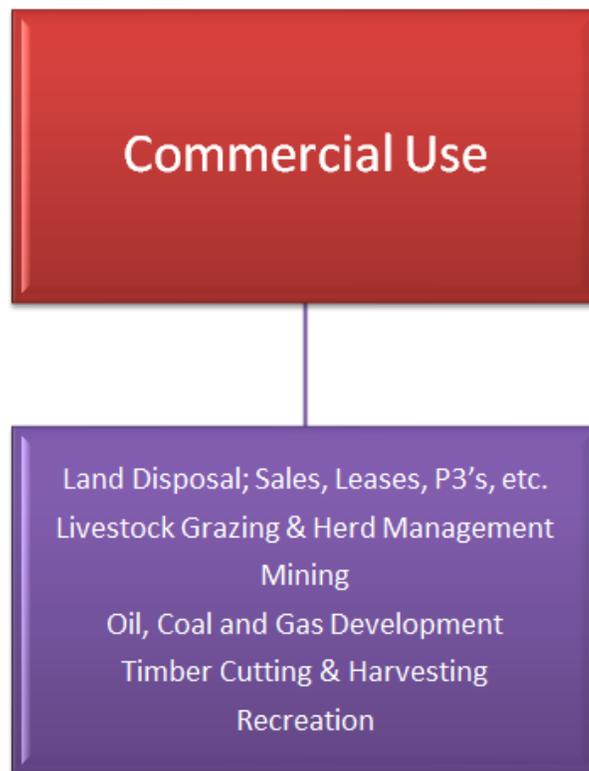
# Operational Land Use Sub-categories



## Commercial Use Land Use Sub-categories

The following illustration shows what sub-categories or activities could be included within the commercial use land use sub-category.

# Commercial Use Land Use Sub-categories



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

<u>Entity</u>	<u>Categorized by Purpose or Intent at Acquisition</u>		<u>Sub-categorized by Predominant Use</u>				<u>Physical Units</u>	<u>Explanatory Comments</u>
	<u>General PP&amp;E Land Acres</u>	<u>Conservation and Preservation</u>	<u>Operational</u>	<u>Commercial Use</u>	<u>Total Land Acres</u>			
Agency X	6,563,954	2,600,000	3,963,954	0	6,563,954	12 RO's and Active	1	
Bureau A	2,219,324	0	2,219,324	0	2,219,324	2 DO's and Active	2	
Bureau B	863,343	0	863,343	0	863,343	1 DO and Inactive	2	
<b>G-PP&amp;E Total - Department B</b>	<b>9,646,621</b>	<b>2,600,000</b>	<b>7,046,621</b>	<b>0</b>	<b>9,646,621</b>			

**Physical Units legend: RO = regional office, Active/Inactive = activity level**

**Explanatory Comments**

- Agency X** has reclaimed 2,600,000 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. All land is managed by 12 regional offices and the agency's land is considered to be active (in current use).
- Bureaus A and B** maintain land strictly for operational purposes. Bureau A's land portfolio is managed by 2 district offices (DO's) and all land is considered to be active (in current use). Bureau B's land portfolio is managed by 1 district offices (DO's) and all land is considered to be inactive (not in current use) awaiting Congressional reviews.

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

Entity	Categorized by Purpose or Intent at Acquisition	Sub-categorized by Predominant Use					Explanatory Comments
	Stewardship Land Acres	Conservation and Preservation	Operational	Commercial Use	Total Land Acres	Physical Units	
Agency X	96,251,797	89,507,814	0	6,743,983	96,251,797	12 RO's and Active	1
Bureau A	46,932,741	44,512,434	0	2,420,307	46,932,741	2 RO's and 100 Water projects	2
Bureau B	40,101,267	40,101,267	0	0	40,101,267	2 RO's and 20 Energy projects	3
<b>SL Total - Department B</b>	<b>183,285,805</b>	<b>174,121,515</b>	<b>0</b>	<b>9,164,290</b>	<b>183,285,805</b>		

**Physical Units legend: RO = regional office, Active/Inactive = activity level, water and energy = project types**

**Explanatory Comments**

1 - **Agency X** has reclaimed 2,600,000 acres of its operational land for conservation/preservation purposes (see Appendix B-1). Note that the reclaimed land retains its G-PP&E distinction and accordingly, is NOT added to the SL category illustrated above in this Appendix; that is, the land's predominant use is reflected within its G-PP&E category.

The agency been granted authority to generate revenue on additional SL currently sub-categorized as Conservation and Preservation land and as a result, has placed such land in a revenue-generating operating mode. However, because the land only generates an immaterial amount of revenue sporadically during the year, its predominant use is not re-categorized to Commercial Use. All land is managed by 12 regional offices and the agency's land is considered to be active (in current use).

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

During the year additional SL has been placed in a revenue generating status and appropriately added to the existing Commercial Use sub-category balance. All land is managed by 2 regional offices that oversee 100 different watershed projects (e.g., drainage basins and catchments).

3 - **Bureau B** maintains land strictly for conservation/preservation purposes. Any operational use of the land is incidental and is not considered to be a predominant use. All land is managed by 2 regional offices that oversee 20 different energy projects (e.g., nuclear, solar, and water).

**Partial Sample Illustration: Appendix B-3: Consolidated Financial Report of the U.S. Government (Proposed amendments to SFFAS 29, paragraph 42 and SFFAS 32, paragraph 23)<sup>16</sup>**

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	176,721,515	7,046,621	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	3,982,440	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	584,340,145	38,973,786	623,313,931	528,198,199	34,241,768	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. For related details please refer to Department A's annual financial report.
- 2 - **Department B** has also been granted authority to generate revenue on some of its SL but it has also reclaimed 2,600,000 acres of its operational land for conservation or preservation purposes. For related details please refer to Department B's annual financial report.
- 3 - **Agency 1** has not been granted any commercial use authority and operates under a strict mandate to preserve land under its care. For related details please refer to Agency 1's annual financial report.
- 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. For related details please refer to Agency 2's annual financial report.
- 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. For related details please refer to Bureau 1's annual financial report.

<sup>16</sup> For ease of illustration purposes only, G-PP&E land and SL presentations are combined in the above format. Disaggregated displays are permissible.

## APPENDIX C: ABBREVIATIONS

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BIA	Bureau of Indian Affairs
DoD	Department of Defense
FASAB	Federal Accounting Standards Advisory Board
GAO	Government Accountability Office
G-PP&E	General Property, Plant, and Equipment
GSA	General Services Administration
HA	Heritage Assets
NFI	Non-financial Information
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
TR	Technical Release

## APPENDIX D: GLOSSARY

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**Acres of land held for disposal or exchange** includes land for which the entity has satisfied the legislative disposal authority requirements specific to the land in question.<sup>25</sup> Disposal includes conveyances of federal land not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.

FN 25 – 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.

**Commercial use land** includes land or land rights that 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. 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; and/or
- public-private partnerships.

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

**G-PP&E land** – Land and permanent land rights<sup>28.1</sup> 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 are not to be capitalized on the balance sheet. General PP&E land shall exclude (1) withdrawn public lands<sup>29.1</sup> or (2) land restricted for conservation, preservation, historical, or other like restrictions. Such land shall remain categorized as stewardship land.—unless the reporting entity made the election to implement the provisions of paragraph 40.f.i.. In some instances, 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 28.1 – Land rights such as easements or rights-of-way that are for an unspecified period of time or unlimited duration are considered permanent land rights. Temporary land rights are those land rights that are for a specified period of time or limited duration.

FN 29 – “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.

FN 29.1 – Consistent with Congressional authorities, an entity may withdraw public lands from the public domain for specific uses. For example, an entity may withdraw public land from sale, settlement, or recreational use to expand buffer zones for security or training needs.

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

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

**Stewardship land** is includes both public domain<sup>14.1</sup> and acquired land and land rights<sup>15</sup> owned by the Federal Government intended to be held indefinitely. ~~but not acquired for or in connection with<sup>16</sup> items of general 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.~~

- forests and parks;
- recreation and conservation;

- c. wildlife habitat and grazing;
- d. historic landmarks and/or the preservation of pre-historic and historic structures (those listed on or eligible for listing on the National Register of Historic Places);
- e. multiple purpose ancillary revenue generating activity (for example, special use permits, mineral development activities, and timber production); and/or
- f. buffer zones for security, flood management , and noise and view sheds.

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

FN 15 – Land rights are interests and privileges held by the entity in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights, and other like interests in land. Land rights such as easements or rights-of-way that are for an unspecified period of time or unlimited duration are considered permanent land rights. Temporary land rights are those land rights that are for a specified period of time or limited duration.

FN 16 – ~~“Acquired for or in connection with” is defined as including land used 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.~~ Land used or acquired for or in connection with items of general PP&E but meeting the definition of stewardship land should be classified as stewardship land.

### **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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EY  
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