



June 7, 2019

## Memorandum

To: Members of the Board  
From: Domenic N. Savini, Assistant Director  
Through: Monica R. Valentine, Executive Director

### MEMBER ACTIONS REQUESTED:

- **Review** a draft SFFAS
- **Provide** answers to the 3 questions summarized on page 12 by June 21.

Subj: **Draft SFFAS: *Accounting and Reporting of Government Land* – Tab D<sup>1</sup>**

### MEETING OBJECTIVE

**Review the entire draft SFFAS** (including the revised draft Basis for Conclusions) to ensure that (1) draft standards are consistent with Board intentions and (2) the BFC sufficiently communicates the Board's rationale regarding key matters deliberated.

### BRIEFING MATERIALS

- **Attachment 1- Draft SFFAS: *Accounting and Reporting of Government Land* – Tracked Changes version.**
- **Attachment 2- Draft BFC Clean version: *Accounting and Reporting of Government Land*.**

### NEXT STEPS

#### July 2019

- Proceed with pre-Ballot shortly after the June meeting.

#### August – October 2019

- Proceed with a ballot at the August Board meeting.
- Issue the Final SFFAS allowing for 45 and 90 day Congressional and Principal reviews, respectively.

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

## BACKGROUND

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### BACKGROUND

At the April meeting members reviewed the draft Basis for Conclusions to ensure its sufficiency in communicating the Board's rationale regarding key matters deliberated. Members focused on three areas (1) Project History, (2) Incorporation of Conceptual Framework, and (3) Summary of Outreach Efforts and Responses. A summary of the Board's discussion points specific to each of the three areas noted above follows:

#### **Project History (paragraphs A1:A8)**

Members generally agreed to rearticulate and reinforce some of the more important details of what led the Board to certain decisions concerning the land project. Members did not specify any particular area of concern and requested staff to coordinate any suggested revisions with OMB and Treasury. Additionally, members agreed to further increase transparency by adding a task force participant list (as used in the Exposure Draft) as an appendix to the draft SFFAS.

#### **Incorporation of Conceptual Framework (paragraph A9)**

Members generally agreed to incorporate SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*, specifically paragraph 9. The point to be made is that the Board's decision concerning land is wholly consistent with FASAB's conceptual framework and that transparency can be improved through the use of non-financial information.

One member neatly summarized that the vast holdings of land in the federal government cannot adequately be conveyed to the public by trying to value land given the inherent limitations in valuation attributes and methods and the complexity of keeping said valuations relevant and reliable in a portfolio of over 622 million acres.

#### **Summary of Outreach Efforts and Responses (paragraphs A10:A19)**

Members provided edits to this section in order to clarify the intent of the standard and to better summarize key points made by the additional subject matter experts invited to the October 2018 meeting.

Additionally, a technical issue arose concerning Temporary Land Rights (proposed amendment to SFFAS 6, paragraph 40.f.i). The proposed amendment would allow entities adopting the SFFAS 50 guidance concerning the establishment of opening balances to expense future acquisitions of temporary land rights whereas entities not adopting SFFAS 50 would be required to continue capitalizing and amortizing temporary land rights. Staff was asked to incorporate a revised Basis for Conclusions pursuant to Board re-deliberations and address the technical issue raised concerning Temporary Land Rights.

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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## REVISED DRAFT SFFAS BFC DISCUSSION POINTS

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### REVISED DRAFT SFFAS BFC DISCUSSION POINTS

To facilitate your review, the table below provides an overview of the key revisions requested by members made to the April 2019 draft version of the Basis for Conclusions. Revisions are referenced by paragraph number included in Attachment 1.

**Table 1.0**  
**Overview of**  
**Revised Draft SFFAS BFC Discussion Points**

Revised Draft SFFAS BFC Discussion Points (See Attachment 1)	Paragraph	Key Revisions Made
1. Project History	A1 – A8	<ul style="list-style-type: none"><li>• <b>A1</b> - Added examples of implementation issues and significant accounting differences. <i>OMB &amp; Treasury.</i></li><li>• <b>A7</b> – Added footnote to identify Task Force participants via new Appendix. <i>OMB &amp; Treasury.</i></li></ul>
2. Incorporation of Conceptual Framework	A9	<ul style="list-style-type: none"><li>• <b>A9</b> - more explicitly root to SFFAC 5, paragraph 9. <i>P. McNamee</i></li><li>• <b>A9</b> - addressing those who view this standard as “unconventional.” <i>T. Soltis</i></li><li>• <b>A9</b> – clarifying the cited statistics. <i>OMB &amp; Treasury</i></li><li>• <b>A9 a–d</b> – adding more substance to each key conceptual point. <i>Mr. G. Scott and OMB &amp; Treasury</i></li><li>• <b>A9 a–d</b> - more explicitly root to SFFAC 5, paragraph 7. <i>P. McNamee</i></li><li>• <b>A9 f</b> – added new sub-paragraph f concerning measurement attributes to root to SFFAC 5, paragraph 8. <i>P. McNamee</i></li><li>• <b>A9 g</b> – added new sub-paragraph g to say that the vast land holdings cannot adequately be conveyed to the public by valuation. <i>T. Soltis</i></li></ul>
3. Summary of Outreach Efforts and Responses	A10 – A19	<ul style="list-style-type: none"><li>• <b>A13</b> – edit to address that SMEs can include others such as preparers. <i>c. Johnson and S. Showalter</i></li><li>• <b>A15</b> – edit to address that respondents are entitled to their opinions but not their facts. <i>M. Granof</i></li></ul>

## REVISED DRAFT SFFAS BASIS FOR CONCLUSIONS

Revised Draft SFFAS BFC Discussion Points (See Attachment 1)	Paragraph	Key Revisions Made
		<ul style="list-style-type: none"> <li><b>A17</b> – edit to address “laundry list” nature of listing and not “major themes.” <i>M. Granof</i></li> <li><b>A17 d and h</b> – direction to staff to delete SME comments. <i>Board discussion</i></li> </ul>
4. User Needs	A20 – A22	Paragraphs include additional edits.
5. Land Valuation	A23	N/A
6. Land Use – Categorizing Land Consistently	A24 – A27	N/A
7. Retaining Property, Plant, and Equipment (PP&E) Categories	A28	N/A
8. Developing Uniform Land Disclosure Requirements	A29 – A30	<ul style="list-style-type: none"> <li><b>A29</b> - replace with “some” and combine the first two sentences. <i>G. Scott</i></li> <li><b>A29</b> – added a response to paragraph. <i>Board discussion</i></li> <li><b>A30</b> – Clarify language concerning the development of the standard and disclosure requirements. <i>G. Bronner</i></li> </ul>
9. Definitions	A31	N/A
10. Requests for Exceptions to De-recognition	A32	N/A
11. RESERVED: Application of this Statement	A33	<ul style="list-style-type: none"> <li>Add language to assist preparers in accounting for the G-PP&amp;E GAAP change. <i>B. Dacey</i></li> </ul>
12. RESERVED: Balance Sheet References	A34	<ul style="list-style-type: none"> <li>Add language to assist preparers in referencing to the Notes discussing land. <i>B. Dacey</i></li> </ul>
13. Supporting Documentation	A35 – A37	<ul style="list-style-type: none"> <li><b>A36</b> - adding “documented” before “methods.” <i>G. Scott</i></li> <li><b>A37</b> – separate into a new section title, “Implementation and Effective Date.” <i>B. Dacey and S. Showalter</i></li> </ul>
14. Board Approval	A38	N/A

## TEMPORARY LAND RIGHTS

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### TEMPORARY LAND RIGHTS

#### Background - SFFAS 50

SFFAS 50 provided alternative methods for establishing opening balances. Paragraph 13 (amending paragraph 40 of SFFAS 6) provided reporting entities that met the criteria to apply SFFAS 50 the option to: exclude both land and (all) land rights from the opening balance of general PP&E, if so elected or recognize land and land rights in opening balances based on the provisions of the alternative valuation method (deemed cost).

#### **Reproduced from SFFAS 50, Par. 13 amending SFFAS 6, paragraph 40**

- f. Alternative methods for land and land rights. A reporting entity should choose among the following alternative methods for establishing an opening balance for land and 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.
  - i. The reporting entity may exclude land and land rights from the opening balance of general PP&E. If this alternative method is applied, the reporting entity should expense future land and land right acquisitions.
  - ii. 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.

During the deliberation of SFFAS 50, the Board considered land rights and tried to obtain additional information from the DoD throughout the project. However, DoD was unable to provide the information in a timely manner before the completion of the draft statement. Therefore, the Board determined from a cost-benefit perspective, it should be handled similar to land until the issue could be researched and addressed in the land project. The following was provided in paragraph A29 of the basis for conclusions:

## TEMPORARY LAND RIGHTS

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A29. Although some land rights<sup>4</sup> may not have an indefinite useful life, the Board proposed in the ED (similarly to what it did with respect to land) that an exclusion of land rights from the opening balances with disclosure of acreage information and expensing of future acquisitions. The Board recognizes that land rights are diverse, situation specific, and may not always result in disclosures required by this Statement. In fact, SFFAS 6 provides that land rights that are for a specified period of time shall be depreciated or amortized over that time period. The Board believes this is a cost effective approach for opening balances of land rights and completion of the land project would more fully research the issues and provide comprehensive standards. The Board reiterates that decisions made within this Statement regarding land and land rights are subject to change based upon the results of the land project.

As noted, it was clear that any decisions made regarding land rights in the Land project may affect SFFAS 50.

Please note that:

- SFFAS 50 did not distinguish between temporary and permanent land rights and the presumption is that all land rights (that is, temporary and permanent) would be treated the same - either excluded from opening balances or recognized based on deemed cost.
- If land and land rights were excluded, future land and land rights acquisitions would be expensed; that is, not capitalized.
- Although SFFAS 6 at paragraph 35 does not use the terminology “temporary” and “permanent” land rights, SFFAS 6 notes regarding expense recognition that “land rights of unlimited duration” (that is, permanent land rights) would not be depreciated/amortized but if material, capitalized along with other land (acquisition) costs. The proposed Land standard does provide a definition for temporary and permanent land rights to reflect their different accounting treatment. Therefore, this difference needs to be considered because SFFAS 50 did not distinguish between the two and the same accounting was applied to both. Please refer to the next section for additional explanation and suggested options for resolving this matter.

### **Exposure Draft: Accounting and Reporting of Government Land**

At project inception staff held agency one-on-one meetings with the Departments of Defense, Energy, and Interior who each noted that they did not believe land rights were material. Furthermore, they each stated that trying to isolate separable land rights (for example, temporary land rights) would be cost prohibitive.

During the June and August 2017 Board meetings members decided (1) that land rights are intangible assets beyond the scope of the land project and that any open issues related to their treatment should not be addressed by SFFAS 6 and (2) to treat permanent land rights consistent with proposed requirements for owned land.

## TEMPORARY LAND RIGHTS

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Ultimately, during Exposure Draft deliberations it was agreed that land and permanent land rights would be de-recognized and expensed as incurred.<sup>2</sup> This proposal was noted to be consistent with SFFAS 6 accounting inasmuch as permanent land rights are treated as a non-depreciable asset. As a result, to address temporary land rights the following language was approved by the Board for exposure amending SFFAS 6, paragraph 40:

### As included in Exposure Draft

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.

As a result, lack of comparability will occur if and when an entity adopts the alternative method to exclude land and land rights from opening balances as permitted by the SFFAS 50 amendments to SFFAS 6. That is, entities not eligible to adopt the alternative method to exclude land and land rights from opening balances would be required to continue capitalizing and amortizing temporary land rights.

### Two Alternative Solutions

1. **De-recognize all land rights including temporary land rights.** Entities would then expense future G-PP&E temporary land rights along with land and permanent land rights acquisitions.

PROS	CONS
<ul style="list-style-type: none"><li>• Simplifies accounting and reporting</li></ul>	<ul style="list-style-type: none"><li>• Deviates conceptually from Board practice concerning land rights as documented via SFFAS 6, paragraph 35.</li></ul>
<ul style="list-style-type: none"><li>• Treats land and all land rights (LRs) equally</li></ul>	<ul style="list-style-type: none"><li>• Disregards the matching principle regarding temporary land rights (TLRs)</li></ul>
<ul style="list-style-type: none"><li>• Increases comparability</li></ul>	<ul style="list-style-type: none"><li>• Requires Board to approve (yet to be written) conforming amendments to SFFAS 6 Paragraphs 40 h (ii) and 40 i (ii).</li></ul>
	<ul style="list-style-type: none"><li>• Requires Board to approve (yet to be written) conforming edits to SFFAS 6 clarifying that all land rights (to include TLRs) are non-capitalized G-PP&amp;E. This includes changing proposed amendments now referencing only permanent land rights.</li></ul>

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<sup>2</sup> Refer to amendments made to: SFFAS 6, paragraphs 25, 26, and new paragraph 34A.

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## TEMPORARY LAND RIGHTS

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- 2. Maintain Exposure Draft position to require continued capitalization of TLRs.** Entities electing to exclude land and (all) land rights from opening balances would be permitted to expense all future LR's including TLRs.

PROS	CONS
<ul style="list-style-type: none"><li>• Maintains distinction made at SFFAS 6 concerning LR's of unlimited (permanent) duration versus those which are of limited (temporary) duration.</li></ul>	<ul style="list-style-type: none"><li>• Creates a perceived lack of comparability noted by some respondents.</li></ul>
<ul style="list-style-type: none"><li>• Maintains the matching principle regarding temporary land rights (TLR's).</li></ul>	<ul style="list-style-type: none"><li>• Complicates accounting and reporting.</li></ul>

**Staff Notes:** Comparability is not expected to be significantly affected given that TLRs are considered to be immaterial at three major land-holding agencies. Moreover, SFFAS 6 at paragraph 35 (effective for periods beginning after September 30, 1997) has required the capitalization and amortization of TLRs as well as excluding land and permanent land rights from being depreciated. As such, entities have been complying with this requirement for over 20 years. Please note that with the exception of this Exposure Draft's comments, staff is unaware of any concerns raised by either preparers or auditors in this regard.

Therefore, staff suggests that members consider Alternative 2 as its go-forward position.

## QUESTIONS FOR THE BOARD

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### QUESTIONS FOR THE BOARD

**Question 1- Refer to Table 1.0 and Attachments 1 and 2.** At the April meeting members reviewed the draft Basis for Conclusions (BFC) to ensure its sufficiency in communicating the Board's rationale regarding key matters deliberated. As a result, members provided primarily technical edits, suggestions and commentary which staff has summarized in Table 1.0 beginning on page four. **Note: Where appropriate, non-technical edits received both prior to and during the meeting have also been incorporated into the revised BFC draft.**

#### **Question 1**

**Do members believe that the revised BFC discussion adequately expresses its rationale relative to those factors the Board considered significant in reaching its conclusions?**

**If not, what other discussion points would members wish to include? Moreover, are there discussion-points which members believe do not warrant a BFC discussion and should be eliminated?**

**Question 2 – Refer to memo pages 6 through 9.** A technical issue arose at the April meeting concerning Temporary Land Rights (proposed amendment to SFFAS 6, paragraph 40.f.i.). The proposed amendment would allow entities adopting the SFFAS 50 guidance concerning the establishment of opening balances to expense future acquisitions of temporary land rights whereas entities not adopting SFFAS 50 would be required to continue capitalizing and amortizing temporary land rights.

Of the two alternative solutions provided, staff suggests that the second alternative solution be adopted. This solution would allow entities adopting the SFFAS 50 approach to expense future acquisitions of temporary land rights whereas entities not adopting SFFAS 50 would be required to continue the capitalization/amortization of TLRs.

#### **Question 2**

**Does the Board agree with the staff suggestion to adopt Alternative 2? If not, please provide your rationale and any accompanying suggestions.**

## QUESTIONS FOR THE BOARD

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**Question 3 - Refer to pages 6 through 21 of Attachment 1- Draft SFFAS: Accounting and Reporting of Government Land.** In particular, please review the proposed edits to the following standards:

1. SFFAS 6, *Accounting for Property, Plant, and Equipment*
2. SFFAS 29, *Heritage Assets and Stewardship Land*
3. 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"*
4. SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*
5. SFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*

### **Question 3**

**Are there any remaining technical matters or suggested edits to the standards members wish to identify?**

## QUESTIONS FOR THE BOARD

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### SUMMARY OF QUESTIONS FOR THE BOARD

**Question 1** - Do members believe that the revised BFC discussion adequately expresses its rationale relative to those factors the Board considered significant in reaching its conclusions?

If not, what other discussion points would members wish to include?

Moreover, are there discussion-points which members believe do not warrant a BFC discussion and should be eliminated?

**Question 2** - Does the Board agree with the staff suggestion to adopt Alternative 2? If not, please provide your rationale and any accompanying suggestions.

**Question 3** - Are there any remaining technical matters or suggested edits to the standards members wish to identify?

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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 #XX

Month Day, 2019

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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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## SUMMARY

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The objective of this Statement is to ensure consistent accounting treatment and reporting for land holdings. This Statement's principal requirements include:

- Reclassifying general property, plant, and equipment (G-PP&E) land and permanent land rights as a non-capitalized asset
- Referencing a note on the balance sheet that discloses information about G-PP&E land and permanent land rights, but no asset dollar amount shown
- Reporting estimated acres of land of G-PP&E land and SL using three predominant use sub-categories
  - Conservation and preservation land
  - Operational land
  - Commercial use land
- Reporting estimated acres of land held for disposal or exchange
- Reporting land rights information and whether such rights are permanent or temporary, and amounts paid during the year to maintain such rights.

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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## STANDARDS

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### SCOPE

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1. This Statement applies to federal entities that present general purpose federal financial reports, including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles, as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.
2. This Statement amends the following guidance:<sup>1</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>1</sup> 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

3. 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 – To the extent ~~consistent with Congressional~~ statutory 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.

**Comment [DS1]:** Per L. Motley 13 December email. Paragraph 8, FN 29.1: Revise “Consistent with congressional authorities” to “To the extent consistent with statutory authorities”

- 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 incidental to the acquisition of the land and the structure is not intended to be used in operations, 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 temporary 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 that may be depreciated/amortized include buildings and structures, furniture and fixtures, equipment, and vehicles, and land.

4. 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.

**Comment [DS2]:** Per Treasury on 18 March via email.

1. Suggest replacing “by-product” with “incidental.” Incidental captures the thought that getting the land was the sole/primary purpose of the acquisition.

2. Clarify that the structure is not intended for use. Reemphasize the notion that the structure is not intended for use since use is referenced earlier in the paragraph.

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.

5. 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. Entities with G-PP&E land and permanent land rights should reference a note on the balance sheet that presents discloses information about G-PP&E land and permanent land rights, but no asset dollar amount should be shown. Such information shall be presented as RSI for fiscal years 2021 through 2013 and transition to basic in fiscal year 2024. Asset dollar amounts for G-PP&E land and permanent land rights should remain on the balance sheet until fiscal year 2024 when the information transitions to basic. The following information should be provided regarding G-PP&E land<sup>2</sup> and permanent land rights:

- a. A concise statement explaining how land relates to the mission of the entity should be provided.

Unless otherwise noted, disclosure requirements are limited to the G-PP&E land category and are not required for each of the three sub-categories of conservation and preservation land; and operational land conservation and preservation land; and operational land.

**Comment [DS3]:** Staff edit. 23 January 2019. To ensure comparability with SL requirements and also help ensure transparency in light of some journalists (Rolling Stones' Matt Taibbi) who may argue that we are attempting to hide government assets.

**Comment [DS4]:** 13 May staff edit.

Because information will be RSI for 3 years and not become basic until FY2014, I suggest we substitute "presents" instead of "disclose."

**Comment [DS5]:** Per B. Dacey 22 April email. Clarify which requirements apply/do not apply as RSI.

Staff: See my suggested staff edits. All requirements are treated as a bundle and first presented as RSI then later as Basic.

**Comment [DS6]:** 13 May staff edit.

To address Mr. Dacey's request for clarification.

- 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 in 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 among the three sub-categories and the number of acres at the end of each reporting period for land and permanent land rights should be provided.
- d. If applicable, the amount of estimated acres held for disposal or exchange and their predominant use. For purposes of this Statement, land is considered held for disposal or exchange when the entity has satisfied the legislative statutory 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. If General PP&E land and stewardship land are presented in separate notes to the financial statements, include cross-references between the notes.

**Comment [DS7]:** Staff edit. 31 Dec 2018

**Comment [DS8]:** Respondent 15 notes that a 4<sup>th</sup> sub-category can be interpreted as being created.

Staff: No 4<sup>th</sup> sub-category was intended. To help clarify, staff suggests we make this sub-paragraph by noting, "If applicable."

**Comment [DS9]:** Per S. Bell 18 March 2019 telecon – reporting acres held for disposal could benefit users if the land's predominant use was disclosed.

Staff: Please see edit adding a requirement to report the land's predominant use. Refer to the revised illustrations at Appendix B-1; Explanatory Comment 2, Bureau B and Appendix B-3 CFR.

**Comment [DS10]:** Per L. Motley email dated 13 December. Revise "legislative" to "statutory" in a few places:

Page 18, bullet d

**Comment [DS11]:** Per B. Dacey email dated 22 April. Consider an additional sub-point (paragraphs 8 (40f), 5 (45Af), 10 (42d), and 11 (23e)) something like "If General PP&E land and stewardship land are presented in separate notes to the financial statements, include cross-references between the notes."

- 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.

- 6. 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 statutory disposal authority requirements specific to the land in question.<sup>24.1</sup> Disposal includes conveyances of federal land to non-federal entities not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.

**Comment [DS12]:** Per L. Motley email dated 13 December. Revise "legislative" to "statutory" in a few places:

Page 19, paragraph 20A

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

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

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

- 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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7. 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~~ 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 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.~~

8. This paragraph amends SFFAS 29 by rescinding paragraph 40.a–40.d.3 and replacing it with the disclosure requirements to require estimated acres of land 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 ~~presents discloses~~ information about stewardship land, but no asset dollar amount should be shown. Such information shall be presented as RSI for fiscal years 2021 through 2013 and transition to basic in fiscal year 2024. The note disclosure<sup>3</sup> 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:~~

**Comment [DS13]:** 13 May staff edit.

Because information will be RSI for 3 years and not become basic until FY2014, I suggest we substitute "presents" instead of "disclose."

**Comment [DS14]:** 13 May staff edit.

To address Mr. Dacey's request for clarification

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<sup>3</sup> Unless otherwise noted, disclosure requirements are limited to the G-PP&E land category and are not required for each of the three sub-categories of conservation and preservation land; and operational land conservation and preservation land; and operational land.

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 in 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 among the three sub-categories and the number of acres at the end of each reporting period for land and permanent land rights should be provided.
- d. If applicable, the amount of estimated acres of land held for disposal or exchange and their predominant use. For purposes of this Statement, stewardship land is considered held for disposal or exchange when the entity has satisfied the legislative statutory disposal authority requirements specific to the land in question.
- e. Stewardship land rights information should include a general description of the different types of rights acquired by the entity, whether such rights are permanent or temporary, and amounts paid during the year to maintain such rights.
- f. If General PP&E land and stewardship land are presented in separate notes to the financial statements, include cross-references between the notes.

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

**Comment [DS15]:** Staff edit. 31 Dec 2018

**Comment [DS16]:** Respondent 15 notes that a 4<sup>th</sup> sub-category can be interpreted as being created.

Staff: No 4<sup>th</sup> sub-category was intended. To help clarify, staff suggests we make this sub-paragraph by noting, “If applicable.”

**Comment [DS17]:** Per S. Bell 18 March 2019 telecon – reporting acres held for disposal could benefit users if the land’s predominant use was disclosed.

Staff: Please see edit adding a requirement to report the land’s predominant use. Refer to the revised illustrations at Appendix B-2, Explanatory Comment 2, Bureau A and Appendix B-3 CFR.

**Comment [DS18]:** Per L. Motley email dated 13 December.

Page 23, bullet d

**Comment [DS19]:** Per B. Dacey email dated 22 April. Consider an additional sub-point (paragraphs 8 (40f), 5 (45Af), 10 (42d), and 11 (23e)) something like “If General PP&E land and stewardship land are presented in separate notes to the financial statements, include cross-references between the notes.”

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.

9. 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 statutory disposal authority requirements specific to the land in question.<sup>17.1</sup> Disposal includes conveyances of federal land to non-federal entities not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.

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 sub-category 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, reservoirs and dams;
- c. land sales or land exchanges;
- d. leases;
- e. permits for public use such as commercial filming and photography, advertising displays, agriculture, recreation residences and camping, recreation facilities, temporary use permits for construction equipment storage and assembly yards, well pumps, and other such uses;
- f. forest product sales such as timber, or sales arising from national forests and grasslands; and/or
- g. public-private partnerships.

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

- National Parks,
- Geological resource sites,
- Wildlife and plant life refuges,

**Comment [DS20]:** Per L. Motley email dated 13 December.

Page 24, paragraph 36A

- Archeological resource sites, and
- Local Native American or ethnic cultural sites

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

- 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.

10. 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 ~~presents~~ ~~discloses~~ information about stewardship land ~~and land rights~~, but no asset dollar amounts ~~s~~ should be shown. Such information shall be presented as RSI for fiscal years 2021 through 2013 and transition to basic in fiscal year 2024. The ~~information note disclosure~~ ~~related to stewardship land~~ should ~~present~~ ~~provide~~ the following:

- A concise statement explaining how stewardship land ~~relates~~ to the mission of the Federal Government.
- 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.~~

~~d.~~ 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.

- If General PP&E land and stewardship land are presented in separate notes to the financial statements, include cross-references between the notes.

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**Comment [DS21]:** 28 March 2019. Per S. Bell. Consider eliminating unnecessary references to "stewardship."

Staff: Concur. See 2 strikeouts.

**Comment [DS22]:** Per B. Dacey email dated 22 April. Consider an additional sub-point (paragraphs 8 (40f), 5 (45Af), 10 (42d), and 11 (23e)) something like "If General PP&E land and stewardship land are presented in separate notes to the financial statements, include cross-references between the notes."

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”

11. 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~~ presents information<sup>FN</sup> about general PP&E land and permanent land rights, but no asset dollar amounts which includes:
  - 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
  - Such information shall be presented as RSI for fiscal years 2021 through 2023 and transition to basic in fiscal year 2024. Asset dollar amounts for G-PP&E land and permanent land rights should remain on the balance sheet until fiscal year 2024 when the information transitions to basic

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

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

FN – Additionally, such information may include a description of the different uses of land managed by the entity, its predominant activities, condition information, and policy initiatives in effect during the reporting period.

**Comment [DS23]:** 13 May staff edit.

To address Mr. Dacey's request for clarification

**Comment [DS24]:** Staff edit. 31 Dec 2018

**Comment [DS25]:** 13 May staff edit.

To address Mr. Dacey's request for clarification

- e. If General PP&E land and stewardship land are presented in separate notes to the financial statements, include cross-references between the notes.

**Comment [DS26]:** Per B. Dacey email dated 22 April. Consider an additional sub-point (paragraphs 8 (40f), 5 (45Af), 10 (42d), and 11 (23e)) something like "If General PP&E land and stewardship land are presented in separate notes to the financial statements, include cross-references between the notes."

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

12. 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 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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13. 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 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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14. The requirements of this Statement are effective as RSI for reporting periods beginning after September 30, 2020. Early adoption is not permitted.
15. It is the Board's intent that the information required by this Statement transition to basic information in fiscal year 2024 after being reported as RSI for a period of three years. Prior to the conclusion of the three-year RSI period, the Board plans to make any necessary adjustments to facilitate the transition to basic information. Early adoption is not permitted.

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

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

### PROJECT HISTORY

A1. This project was added in February 2016 during FASAB's three-year plan review. The Board agreed that the project was necessary to address significant differences in accounting treatment and 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*<sup>4</sup>; 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*. The most notable matters brought to the Board's attention 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
- 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

A1-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.

<sup>4</sup> SFFAS 7 requires that donations made to the government by a nonfederal entity, to include land or buildings should be recognized for those inflows of resources which meet recognition criteria for assets and measured at the estimated fair value of the contribution.

**Comment [DS27]:** Staff edit: 30 April 2019.

Both matters were brought to the Board's attention. That is, questions about SFFAS 50 and its relationship to SFFAS 6 and 29 and concerns over the general reporting of land and inconsistent accounting standards making land reporting "incomprehensible."

**Comment [DS28]:** Could we provide concrete examples of the cited implementation issues and identify significant differences and add specific examples. *OMB & Treasury*.

Staff: The inserted language (bullet points) was taken from the Land ED dated 30 April 2018. Please note that they are not limited to just implementation issues but also point to inconsistent accounting standards; G-PP&E vs. SL vs. Donated land.

A2-A3. In contrast, SFFAS 29 defines “stewardship land” as land (including land rights) 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.

A3-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 and land rights or excluding them from opening balances with disclosure of acres of land and expensing of future acquisitions.

A4-A5. The above requirements result 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 and land rights 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.

A5-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.

A6-A7. To assist in evaluating options for improving the consistency<sup>5</sup> among existing accounting standards, entity comparability and relevance of information regarding land, a land task force was created consisting of representation from federal agencies, the commercial sector, and citizens.<sup>6</sup> 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.

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

<sup>6</sup> Please refer to Appendix E for the identification of Task Force participants.

A7-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 the 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.

### Incorporation of Conceptual Framework

A8-A9. The Board considered its conceptual framework as well as the divergent task force views in developing its proposal for reporting on this significant asset. Options for financial and non-financial information (NFI) were assessed against the reporting objectives, the qualitative characteristics of information, the cost-benefit considerationseonstraint, and presentation of information as basic or required supplementary information (RSI).

It is important to note that a major consideration throughout the Board's deliberations was the guidance provided at SFFAC 5, Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements. Specifically, paragraph 9 states that,

"An item that meets the appropriate definition of an element is an asset, liability, revenue, or expense, even if it is not recognized in the accrual-basis financial statements because, for example, it is not measurable or its amount is not material. Unrecognized elements are candidates for disclosure in the notes to financial statements or as supplementary information."

As a result, ~~M~~members agreed with those in the financial reporting community who noted the importance of having consistent accounting standards to improve financial reporting of land. Moreover, and that any conceptual limitations recognition or measurement concerns could be addressed via the incorporation of NFI (acreage information). Specifically, the use of NFI for federal reporting of land is not new. In fact, a task force analysis noted that approximately 97.0% (~603.7 million acres) of all land managed by the federal government is SL which per SFFAS 29, *Heritage Assets and Stewardship Land*, has adopted the use of NFI (that is physical unit reporting) to satisfy both reporting objectives and the qualitative characteristics of information in federal reporting. Furthermore, the Board notes that a portion of the remaining ~3.0% (~19.6 million acres) of land currently classified as G-PP&E land is withdrawn land from the public domain: that is, land which would have otherwise been classified as stewardship land and subject to the SFFAS 29 requirements; non-recognition and use of NFI.

As a result, ~~d~~Due to concerns that the Stewardship and Operating Performance reporting objectives and qualitative characteristics, such as relevance and comparability were not being met, The Board proposed expensing land and permanent land rights and instead reporting acres in a note disclosure. Additional ~~Some~~ key conceptual points leading to the Board's proposal include:

**Comment [DS29]:** Per M. Granof email dated 14 April.

**Comment [DS30]:** Can we more explicitly root this in SFFAC 5? Particularly paragraphs 2-9, with paragraph 9 being key. *P. McNamee*  
Staff: Paragraph 9 has been included.

**Comment [DS31]:** 6 May Staff edit – attempting to partially address Mr. Soltis' concern that: "I think your biggest concern is the explanation that you're doing things kind of not conventional in this whole standard. The one is that an asset is not valued in dollars, and so I think some people who thought and think assets are usually valued in dollars at historic cost, why didn't we go that route when explaining that?"

**Comment [DS32]:** Staff edit. To better coincide with Mr. McNamee's reference to SFFAC 5.

**Comment [DS33]:** Seems like we should go a step forward and discuss the significance/relevance of this statistic to the conclusions reached. *OMB & Treasury*  
Staff: Please see suggested language.

- a. Historical cost of land and permanent land rights is not (1) useful to the majority of users for assessing entity operating performance primarily due to the static nature of the reported dollars (that is, not accounting for inflation or changes in value) (SFFAC 1, par. 122-133) or stewardship (SFFAC 1, par. 134-145), or (2) relevant for decision makers (SFFAC 1, par. 161).

i. Having considered the input of the task force, respondents and subject matter experts the Board also concluded that although historical cost information of G-PP&E land may be reliable for most agencies such information is not reliable at the government-wide level because historical cost records are incomplete or in some cases non-existent.

- b. Prior analyses of user needs and as confirmed by the land task force revealed that financial statements were limited inasmuch as users would often need to branch off into other venues to obtain additional information for context and increased understanding. (SFFAC 1, par. 158-159)

i. In addressing this limitation the Board concluded that reclassifying G-PP&E land and permanent land rights as a non-capitalized asset, expensing future acquisitions, and increasing disclosure requirements of non-financial land information would be more informative to users and best satisfy the Board's Stewardship and Operating Performance reporting objectives. This decision is consistent with SFFAS 50, which permits reporting entities to not capitalize G-PP&E land and land rights under certain conditions.

- c. Fair value was not cost-beneficial given the vast holdings of land primarily due to the impracticalities associated with valuing land absent conditions such as having demographically comparable sales, active markets or willing buyers and estimating the environmental liabilities associated with certain land holdings. (SFFAC 2, par. 73E.g. and SFFAC 5, par. 7)

i. Citizen users on the task force and some respondents noted the benefit of fair value estimates on government land holdings. They generally noted that in order to assess an entity's stewardship and operating performance, fair value estimates of land parcels would help assess whether such land should be either sold or transferred to state/local governments. However, the Board concluded that fair valuing land parcels would be prohibitive given the impracticalities and costs to measure land parcels and that acreage information would be more informative to the general public, Congress, and agency management.

- d. Acres would provide a transparent, understandable, and comparable measure across the federal government and allow users to consider how much land was held for particular purposes (operating performance) and how the amount of land held changed over time (stewardship). (SFFAC 2, par. 73E.e.)

i. The Board realizes that some respondents believe the use of NFI such as acreage to satisfy reporting objectives is relatively unprecedented. However, as previously noted SFFAS 29, Heritage Assets and Stewardship Land, adopted the use of NFI (that is physical unit reporting)

**Comment [DS34]:** Staff edit. 1 May

**Comment [DS35]:** Why is historical cost not useful? OMB & Treasury

**Comment [DS36]:** Per OMB/Treasury 12 April email.

Staff: I re-tailored your suggested Par. A10 and placed it here so it logically flows the discussion in A9.

**Comment [DS37]:** Per OMB/Treasury 12 April email.

Staff: I re-tailored your suggested Par. A11 and placed it here so it logically flows the discussion in A9.

**Comment [DS38]:** Per G. Scott email dated 7 April 2019 and OMB/Treasury. Mr. Scott - Should we have more substance to this exclusion such as this would require a willing buyer and the vast land holdings of the government would really not have such information. Additionally the cost of determining the environment liabilities to provide an adequate FV would difficult to obtain.

Staff: April 8 - Yes, we can note additional matters as you suggest. However, the focus of this paragraph is to show how we considered the use of our concept statements in order to rebut critics who argued otherwise.

**Comment [DS39]:** Can we more explicitly root this in SFFAC 5? Particularly paragraphs 2-9, with paragraph 9 being key. P. McNamee

Staff: Paragraph 7 reference has been included; "Thus, it is possible that an item that meets the basic recognition criteria would not be recognized due to measurement, materiality, or cost-benefit considerations."

**Comment [DS40]:** Per OMB/Treasury 12 April email.

Staff: I incorporated your concept suggested in Par. A12 and placed it here so it logically flows the discussion in A9.

**Comment [DS41]:** The point that we are trying to make here is that even in removing information from the balance sheet, transparency can be improved. OMB & Treasury

Staff: Please see suggested language. The Task Force was clear that acres provided better informational value than historical cost. In essence, a greater understanding of what the government owns/manages with this increased transparency.

**Comment [DS42]:** Per OMB/Treasury 12 April email.

Staff: I re-tailored your suggested Par. A13 and placed it here so it logically flows the discussion in A9.

to satisfy both reporting objectives and the qualitative characteristics of information in federal reporting. The Board further notes that to address any potential audit challenges related to NFI, the requirements of this Standard are subject to a phased implementation schedule to enable the Board to evaluate implementation and identify and address any issues as they may arise.

- e. The non-financial information relates to a significant asset (an element of financial reporting) that interests a wide audience. Furthermore, it has a high degree of importance and criteria exist for reliably and consistently measuring acres, making the information appropriate for note disclosure. (SFFAC 2, par. 73E)

- i. As previously noted G-PP&E land represents approximately 3.0% (~19.6 million acres) of land some of which has been withdrawn from the public domain. As such, were it not withdrawn such land would have to comply with the SFFAS 29 requirements; that is, non-recognition and use of NFI.

**Comment [DS43]:** Staff edit. 1 May.

Added for conformity purposes with preceding sub-paragraphs.

- f. The selection of an appropriate measurement attribute in specific circumstances should be based on the reporting objectives, qualitative characteristics, and cost-benefit constraints applicable to the financial information in question. (SFFAC 5, par. 8)

**Comment [DS44]:** Can we more explicitly root this in SFFAC 5? Particularly paragraphs 2-9, with paragraph 9 being key. *P. McNamee*

Staff: Paragraph 8 has also been included.

- i. The Board concluded that attempting to apply a measurement attribute to the government's vast holdings of land would fail to meet cost-benefit considerations as well as some of the qualitative characteristics such as understandability, relevance, and comparability. The Board concluded that reclassifying previously capitalized G-PP&E land costs as expenses accompanied by NFI disclosures would best meet the reporting objectives and qualitative characteristics in a cost beneficial manner.

**Comment [DS45]:** Per OMB/Treasury 12 April email.

Staff: I re-tailored your suggested Par. A14 and placed it here so it logically flows the discussion in A9.

- g. In conclusion, the Board opines that the vast holdings and uses of federal land cannot adequately be conveyed to the public by any valuation method alone. Specifically, limitations inherent in valuations such as passage of time and inflation, changes in economics (for example, base closures, government relocations, etc.) or demographic or population shifts (for example, shifting veteran populations, rural development activities, etc.) and even weather related issues such as coastal floods and forest fires make it impractical and cost prohibitive to annually corroborate or appraise over 622 million acres. Instead, the Board believes that consistent with its conceptual framework, the use of NFI (acreage reporting) increases transparency while either avoiding or at least significantly minimizing burden and costs that would otherwise be borne if reliable and relevant valuation methods were used.

**Comment [DS46]:** 6 May Staff edit – attempting to partially address Mr. Soltis' comments: "the vast holdings of land in the federal government cannot adequately be conveyed to the public by trying to value it because it's just so hard and so complicated."

## Summary of Outreach Efforts and Responses

~~A9-A10.~~ The ED was issued April 30th, 2018 with comments requested by July 30th, 2018. Upon release of the exposure draft, notices and press releases went to the following: the Federal Register, *FASAB News*, the *Journal of Accountancy*, *AGA Today*, the *CPA Journal*, *Government Executive* and the *CPA Letter*, the CFO Council, the Council of the Inspectors General on Integrity and Efficiency (CIGIE), the Financial Statement Audit Network; and members of both the Federal Real Property



Council and Federal Facilities Council, and committees of professional associations generally commenting on exposure drafts in the past.

~~A10-A11.~~ This broad announcement was followed by electronic mailings of the exposure draft to the following relevant congressional committees: Senate Energy and Natural Resources and House Natural Resources.

~~A11-A12.~~ FASAB received a total of 16 responses which are summarized in the table below by respondent type. Although the majority of respondents generally agreed with the Board's proposal to reclassify G-PP&E land and permanent land rights as a non-capitalized asset and related disclosure requirements, some respondents (1) expressed concerns with what they viewed as a departure from universally accepted accounting principles and (2) identified certain issues that could be clarified within the Statement or addressed in the basis for conclusions.

**Summary of Respondent Types to Exposure Draft**

RESPONDENT TYPE	FEDERAL (Internal)	NON-FEDERAL (External)	TOTAL
Preparers and financial managers	11	-0-	11
Users, academics, others	-0-	3	3
Auditors	1	1	2
Total	12	4	16

~~A12-A13.~~ As a result, at the August 2018 Board meeting the Board decided to extend an invitation to (1) the respondents of the Land ED to discuss with the Board their comments on the ED and provide further clarification of their responses and (2) **additional** subject-matter experts comprising federal land managers, the audit community, and other interested parties to share their expert perspectives regarding land reporting. ~~In On~~ October 2018, eight respondents accepted the Board's invitation to clarify their comments and five subject matter experts agreed to share their views on a variety of matters related to the Land ED.

~~A13-A14.~~ The Board did not rely on the number in favor of or opposed to a given position. Information about the respondents' majority view is provided only as a means of summarizing the comments. The Board considered each response and weighed the merits of the points raised.

~~A14-A15.~~ **In their view,** Respondents agreeing with the Board's proposal to reclassify G-PP&E Land and permanent land rights noted that: (1) geographic information system

**Comment [DS47]:** Per. C. Johnson and S. Showalter meeting discussion. Transcript page 142, lines 18 thru 24.

**Comment [DS48]:** Per G. Scott 7 April email. Replace with "On"

**Comment [DS49]:** Respondents are entitled to their opinions but not their facts. There is no justification for saying that dropping land from the balance sheet will have "little to no financial statement impact." I would drop this point. *M. Granof*

Staff: Pursuant to Board discussion between Messrs Granof and Dacey . Staff suggests we indicate the subjective rather than factual nature of these statements.

Transcript page 144 lines 13-18.



(GIS) can be readily adopted to comply with the acreage reporting requirements and satisfy most auditor concerns, (2) valuing land is too costly and questionable in light of environmental liabilities, and (3) there will be ~~very little to no~~ financial statement impact to expensing future acquisitions G-PP&E land and permanent land rights. However, key concerns raised included: (1) comparability of physical units and potential for inconsistent application within agencies, (2) not all agencies have consistent GIS policies throughout their bureaus, and (3) system changes to policies and information technology databases/applications will require additional time and effort to implement.

**Comment [DS50]:** Staff edit. 1 May

**Comment [DS51]:** P. McNamee edit per 16 April email.

~~A15-A16.~~ Respondents who disagreed with reclassifying G-PP&E Land and permanent land rights noted the following concerns: (1) G-PP&E land is an asset which should remain on the balance sheet in order not to distort financial reporting, (2) the Board's proposal veers away from its conceptual framework while over-emphasizing one asset category over all the others, (3) separating a land value from a building value is complicated, (4) the ED leads to duplicative reporting because G-PP&E acres are presented in the Federal Real Property Profile (FRPP) as well as in performance reports, (5) audit precision and related burdens are problematic because there are no internal controls over acreage information systems, (6) there will be significant financial statement impact to expensing G-PP&E acquisitions in the statement of net cost, (7) physical units are not meaningful and the information already exists in other reports, (8) many implementation issues will require FASAB to spend time developing additional guidance, (9) some rate-setting entities use and require historical cost information concerning land, and (10) some agency GIS personnel have existing backlogs taking precedent such as land disputes which will not allow them to satisfactorily support reporting and audit initiatives.

**Comment [DS52]:** P. McNamee edit per 16 April email.

~~A16-A17.~~ Subject matter experts provided their views and perspectives to the proposed Land ED and their summarized individual points a summary of the major themes they raised follows:

**Comment [DS53]:** This seems to me to be a laundry list, not of "major themes" but virtually all points made. *M. Granof*

Staff: As per Board meeting, indicate that these are "summarized" individual points.

Transcript pages 147-148.

#### Cost versus benefit (Preparer Burden)

- a. The cost of aggregating land information given the de-centralized manner in which such information is stored may be cost prohibitive.
- b. Data collection should be commensurate with user needs.
- c. SFFAS 50 provides sufficient flexibilities with the use of deemed cost to allow certain entities under specific conditions to forgo reporting a cost for G-PP&E land and permanent land rights.
- d. ~~The desire to achieve a clean opinion for the Department of Defense (DoD) and the resulting inconsistencies created by SFFAS 50 do not provide a compelling need to adopt the proposed practice and extending it government-wide.~~
- e. Use of the Public Land Statistics report for financial accountability purposes would require an extensive and potentially cost-prohibitive investment of additional resources.

**Comment [DS54]:** Pursuant to Board discussion and direction to staff.

#### Financial Management

- f. This proposal runs contrary to the intent of legislation such as the CFO Act and the Federal Financial Management Improvement Act which were enacted to bring about improvements in the agencies' financial management.
- g. Excluding Land from the Balance Sheet understates the financial position of the government.
- h. ~~This proposal sends the wrong signal to agencies encouraging them to seek special dispensation from FASAB as opposed to maintaining sound financial management practices.~~
- i. The scale and level of detail for data published in the Public Land Statistics report is designed to meet the overall public need and does not provide sufficient information for direct financial determinations.
- j. Land is an asset that benefits future periods and performance and as such, should remain on the balance sheet.

**Comment [DS55]:** Pursuant to Board discussion and direction to staff.

#### **Proposed Disclosures -**

- k. Congress seeks information for a variety of purposes.
- l. Physical unit information to include acres is not very informative to users without context.
- m. Requiring performance information and arraying it against cost information to promote assessment of effectiveness and efficiency seems more appropriate and valuable to users.

#### **Materiality and Presentation -**

- n. Agencies should be allowed enough flexibility to tell their story and be creative.
- o. Materiality is a key concern and without clearer guidance in this regard, acreage or other non-financial information may be more suitable for Required Supplementary Information (RSI).
- p. Consideration should be given to presentation formats other than disclosures and the use of agreed upon procedures to help increase reliability.
- q. Given actual experiences, the preparer transition period should not be underestimated and it can take multiple years or cycles for auditors to gain comfort.
- r. The Bureau of Land Management (BLM) is working with and coordinating with the United States Geological Survey PAD-US (Protected Area Database of the United States) initiative. This includes reviewing data definitions and reconciling differences.
- s. Agency overlaps in reported land area data for the Surface Management Area (SMA) data layer are an issue that BLM is working to reconcile for more accurate representation of the SMA.

A17-A18. Regarding the concern that expensing land and permanent land rights would distort financial reporting, the Board notes that presentation options exist that could mitigate potential distortions to an entity's operating costs brought about by expensing land and permanent land rights acquisitions. For example, material acquisitions might be presented separately as a major program or as costs not assigned to programs. Nevertheless in its re-deliberations of the Land ED, the Board believed that the

respondent comments and subject-matter expert views indicated a need to reconsider certain disclosure requirements and the proposed implementation approach and related time-line. As a result, the following changes were made to the proposed Land ED requirements:

- a. Deleting the Physical Unit Disclosure Requirements.
- b. Deleting the requirement to reference DM&R (RSI) presentations.
- c. Limiting the first two disclosure requirements (that is, how land relates to the entity's mission and an entity's policies over land) to the primary categories of SL and G-PP&E land and not to the sub-categories.
- d. Simplifying the "Estimated Acres" reporting requirement by only requiring that beginning and ending balances be provided.
- e. Clarifying that "Acres of land held for disposal or exchange" applies only to land conveyed to non-federal entities.
- f. Clarifying the type of information to be disclosed at the government-wide level.

A18-A19. Concerning the proposed implementation approach and related time-line, the Board agreed 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 preparation and auditability of the information not be resolved by the transition date, and (3) not allow for early implementation.

**Comment [DS56]:** Per B. Dacey email dated 22 April.

## User Needs

A19-A20. Respondents generally agreed that providing non-financial information (NFI) such as "estimated acres of land" would help ensure that user needs are met. One respondent noted that the information should be first designated as required supplementary information (RSI) and not moved to basic information until there is sufficient confidence in its reliability. Some respondents noted that to only focus on NFI may not be appropriate unless there is some financial information to which NFI relates.

**Comment [DS57]:** P. McNamee edit per 16 April email.

A20-A21. As the Board noted in its ED, 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. Specific to land, users desire transparency (for example, fair value estimates or land measured by parcel size or acreage sizes) over how much land an entity manages and its use. As such, the Board believes that user needs are best met with information that is relevant, reliable and understandable while meeting cost-benefit considerations. To that end, the Board maintains its position that historical cost information although reliable in most cases is not relevant to most users and that given the cost-benefit constraints, NFI is best suited in meeting user needs.

**Comment [DS58]:** Staff edit. To better define what we mean by transparency and user wants/needs.

A21-A22. Moreover, to increase the confidence in the reliability of the NFI over land, as noted in paragraph A18 above, the Board agrees with those respondents suggesting that an RSI transition period be established prior to transitioning to basic note disclosure. Concerning inclusion of financial information with which NFI should relate, the Board notes that entities are free to disclose the cost of G-PP&E land and permanent land rights in the notes. Nevertheless, consistent with SL requirements the

**Comment [DS59]:** Per G. Scott 7 April email. Remove semicolon.

Board has modified its proposal to now require entities with G-PP&E land and permanent land rights to reference a note on the balance sheet that discloses information about G-PP&E land and permanent land rights, but no asset dollar amount should be shown.

## Land Valuation

A22-A23. Few respondents addressed the issue of land valuation. In particular, one respondent noted that while fair market value is understandably challenging and costly to establish and maintain, historical cost (or a reasoned, supported estimate) should be an achievable metric. This respondent suggested that entities use tax assessments as the basis for the value of the land. Another respondent noted that the estimated value of the land should be strictly the remainder of the cost after the estimate for the building is deducted. As the Board noted in its ED, 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 the Board believes that users will be best served by the presentation of NFI. Although historical cost information can be derived in some case using tax assessments or by calculating a residual amount, the limited benefits do not seem to justify the costs that entities would need to incur.

## Land Use – Categorizing and Sub-categorizing Land Consistently

A23-A24. The majority of respondents agreed with retaining the G-PP&E land and SL categories and related sub-category definitions. To improve the comparability of reporting federal land holdings and the uniformity of disclosures, the Board proposed that three sub-categories predicated on land-use that both G-PP&E land and SL would be classified under: (1) conservation and preservation land; (2) operational land; and (3) commercial use land. Concerning the sub-categories, respondents noted that (1) the entity should determine in which sub-category the acres are placed and should not be required to pro-rate among the sub-categories and (2) the three sub-category definitions appear after the proposed definition of Acres of Land Held for Disposal or Exchange making it appear that there are four unique sub-categories rather than three.

A24-A25. The Board notes that the Land ED explicitly stated that the sub-categorizations would be predicated on predominant use. Predominant use is not a new requirement and was first introduced in Statement of Federal Financial Accounting Standards 29: *Heritage Assets and Stewardship Land*, issued July 7, 2005. Furthermore, concerning G-PP&E Land, the General Service Administration's Federal Real Property Council has established predominant use reporting definitions and requirements since 2005.

A25-A26. It is important to note that this Statement continues the practice in SFFAS 29 that provides entities with flexibility in determining predominant use. For example, in cases where land, including permanent land rights has multiple uses, none of which is predominant, the entity should attempt to sub-categorize such land. In so doing, entities may find it practicable to pro-rate the estimated acres among the sub-categories. The appropriate level of sub-categorization of land use should be meaningful and determined by the preparer based on (1) the entity's mission, (2) types of land use, (3) how it manages the land, and (4) the nature, number and amount of funding streams. To be considered a predominant use, land activities or uses are generally not incidental but are normal and recurring in connection to the

entity's mission. Nevertheless, the Board recognizes that future guidance concerning predominant use may be required.

~~A26-A27.~~ Regarding Acres of Land Held for Disposal or Exchange defined at paragraph 20.A., the Board notes that (1) it did not intend to create a fourth sub-category and that narrative presentation or disclosure of said acres is sufficient to meet the Standard's requirements, (2) entities are free to develop graphical or tabular illustrations, and (3) examples found at Appendix B are intended to aid in the application of these key provisions and not illustrate compliance with all of the proposed disclosure requirements.

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

~~A27-A28.~~ The majority of respondents agreed with the Board's proposal to retain the G-PP&E land and SL categories. SFFAS 6 establishes three categories of PP&E: (1) general PP&E, (2) heritage assets, and (3) stewardship land. It is important to note that 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 actually used during the reporting period. Due to concerns over inconsistent accounting and reporting of federal land, the Board established three sub-categories based on how entities in fact use the land they manage. 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. Therefore, users are provided with both the entity's intended use of the land and permanent land rights (that is, primary categories of SL or G-PP&E Land) as well as their actual use (predicated on predominant use by sub-category) during the reporting period.

### Developing Uniform Land Disclosure Requirements

~~A28-A29.~~ Although the majority of respondents agreed with the Board's proposed disclosure requirements ~~many did not. Such~~some respondents noted that preparer burden and audit efforts would increase. Two examples cited include: (1) financial reporting systems are not currently designed to capture the newly required information and (2) agencies have spent considerable resources to ensure compliance and auditability and adding more data elements to the reporting requirements contributes to disclosure overload. ~~However, some respondents also believed that increases to preparer burden and audit efforts after initial implementation would be non-recurring. Also, in addition to revising the Board's proposed implementation timeline, more fully discussed below, GAO and OMB expect to coordinate efforts and work towards developing auditor guidance as appropriate.~~

~~A29-A30.~~ In connection with the Board's position to reclassify G-PP&E land and permanent land rights as a non-capitalized asset, the Board believes that developing uniform ~~accounting and reporting disclosure~~ requirements across all land categories not only satisfactorily addresses longstanding issues concerning the reporting over land but also increases informational value to users. The ~~development of the~~ disclosure requirements has been primarily taken from existing requirements contained in SFFAS 29 (for example, disclosure of how land relates to an entity's mission and its policies over land). Moreover, the Board considered respondent comments as well as

**Comment [DS60]:** Per G. Scott 7 April email. Replace with "some" and combine the first two sentences.

Per Board meeting G. Granof – eliminate "many". Transcript page 162.

**Comment [DS61]:** Pursuant to April Board meeting.

Staff: Please see suggested language as "response paragraph" mentioned in transcripts.

Transcript pages 154 thru 161.

**Comment [DS62]:** Pursuant to April Board meeting. Ms. G. Bronner.

Transcript page 172, lines 3 thru 18.

interested party views in developing the final **disclosure** requirements. As a result, the revised disclosure requirements reflect the following changes:

- i. Eliminating physical unit disclosure requirements,
- ii. Eliminating the deferred maintenance and repair reference requirement,
- iii. Limiting the first two disclosure requirements (that is, how land relates to the entity's mission and an entity's policies over land) to the primary categories of SL and G-PP&E land and not to the sub-categories,
- iv. Simplifying the acreage reporting requirement by only requiring the beginning and ending balances be presented, and
- v. Clarifying that "Acres of land held for disposal or exchange" applies only to land satisfying legislative disposal authority requirements intended to be conveyed to non-federal entities.
- vi. Clarifying the type of information to be disclosed at the government-wide level).

The Board believes that the revised disclosure requirements coupled with a graduated phase-in approach satisfactorily addresses concerns related to preparer burden and audit effort.

## Definitions

~~A30-A31.~~ A31. The majority of respondents agreed with the proposed definitions. As previously noted, the task force recommended that the current land categorizations of SL and G-PP&E land be retained. Pursuant to respondent comments, the Board did however clarify that "Acres of land held for disposal or exchange" applies only to land satisfying legislative disposal authority requirements intended to be conveyed to non-federal entities. 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.

## Requests for Exceptions to De-recognition

~~A31-A32.~~ A32. Several respondents noted particular circumstances or cases that would require them to continue capitalizing G-PP&E land and permanent land rights. This also included the inability to separate the cost of land from an infrastructure or investment holding's overall cost. As a result, some of these respondents asked for an exception to the de-recognition requirement. The Board reviewed each of the cited instances and notes that exceptions are not warranted because entities are free to include disclosures of the cost of G-PP&E land and permanent land rights at their discretion without explicit guidance to do so. Additionally, it would be confusing to have some entities reporting G-PP&E land and permanent land rights on the face of financial statements while excluding others and this forthcoming standard would not necessarily have to apply to the entries in an entity's general ledger, only to its

**Comment [DS63]:** Pursuant to April Board meeting. Ms. G. Bronner.

Transcript page 172, lines 20 thru 25.

financial statement reporting. That is, if the cost of G-PP&E land and permanent land rights needs to be capitalized for management purposes, it still can be. Concerning inseparable land costs, the Board notes that if the cost of G-PP&E land and permanent land rights is material, additional effort should be made to identify its cost.

### **Application of this Statement**

A33. Reporting entities are subject to the reporting requirements under paragraph 13 of SFFAS 21, *Reporting Corrections of Errors and Changes in Accounting Principles*, Amendment of SFFAS 7, *Accounting for Revenue and Other Financing Sources*. Specifically, paragraph 12 of SFFAS 21 states, "For the purposes of this standard, changes in accounting principles also include those occasioned by the adoption of new federal financial accounting standards." Therefore, reporting entities with G-PP&E land deemed to be material should follow the guidance in SFFAS 21 paragraph 13.a. - 13.c. for all changes in accounting principles:

a. The cumulative effect of the change on prior periods should be reported as a "change in accounting principle." The adjustment should be made to the beginning balance of cumulative results of operations in the statement of changes in net position for the period that the change is made.

b. Prior period financial statements presented for comparative purposes should be presented as previously reported.

c. The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure.

SFFAS 21 provides that the adjustment should be made to the beginning balance of cumulative results of operations in the statement of changes in net position for the period that the change is made. Thus, no change would be made to the ending net position of the previous year. The disclosures should be at a high level briefly describe the effect on beginning net position.

### **Balance Sheet References**

A34. In providing the note disclosure information required for G-PP&E land and permanent land rights at SFFAS 6 paragraph 45A and Stewardship Land at SFFAS 29 paragraph 40, entities may combine the display and/or disclosure for GPP&E land and permanent land rights and stewardship land. However, in so doing the category distinctions should remain evident to the reader. That is, although the Board has established uniform disclosure requirements to increase informational value, the existing distinction between G-PP&E land and SL have been retained.

Disclosure requirements for the U.S. Government-wide financial statement contained at SFFAS 32 paragraph 23 and SFFAS 29 paragraph 42 may also combine the display and/or disclosure for GPP&E land and permanent land rights and stewardship land. In such cases and to the extent possible, direct references to agency reports for additional category information about GPP&E land and permanent land rights stewardship land should be made.

**Comment [DS64]:** Per B. Dacey email dated 22 April.

Staff: Consistent with SFFAS 48 and 50, staff advises that (1) we use the language contained at SFFAS 50 paragraph A84 – A86 and (2) references to SFFAS 21 be included in the Basis for Conclusions and not within this standard. We typically don't repeat standards within other standards so as to avoid confusion.

**Comment [DS65]:** Per B. Dacey email dated 22 April.

Staff: Please see suggested language.



## Supporting Documentation

~~A32-A35.~~ 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~~ makes the point 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 and permanent land rights 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 or predominant use assessments and (2) does not intend to direct or prescribe the use of any particular approach.

**Comment [DS66]:** Per M. Granof email dated 14 April.

~~A33-A36.~~ 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 TR 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 or rely on management tools such as Geospatial Information. The Board expects preparers to apply a variety of documented methods and techniques in arriving at estimates.

**Comment [DS67]:** Per G. Scott 7 April email. Consider adding "documented" before "methods"

## Implementation and Effective Date

~~A34-A37.~~ In part, to acknowledge that non-traditional supporting documentation to develop reasonable acre estimates would satisfy the disclosure requirements the Board has established that the disclosure requirements phase-in beginning in FY 2021 as RSI and transition to Basic information with removal of G-PP&E land and permanent land rights from the balance sheet in FY 2024. Early implementation will not be permitted. In establishing the phase-in approach and effective date, the Board considered respondent comments and interested party views noting the time needed for reporting entities to (1) develop and implement related policies and procedures, (2) establish acreage estimates 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.

**Comment [DS68]:** Per Board meeting. Messrs Dacey and Showalter.

Transcript pages 173- 174



## Board Approval

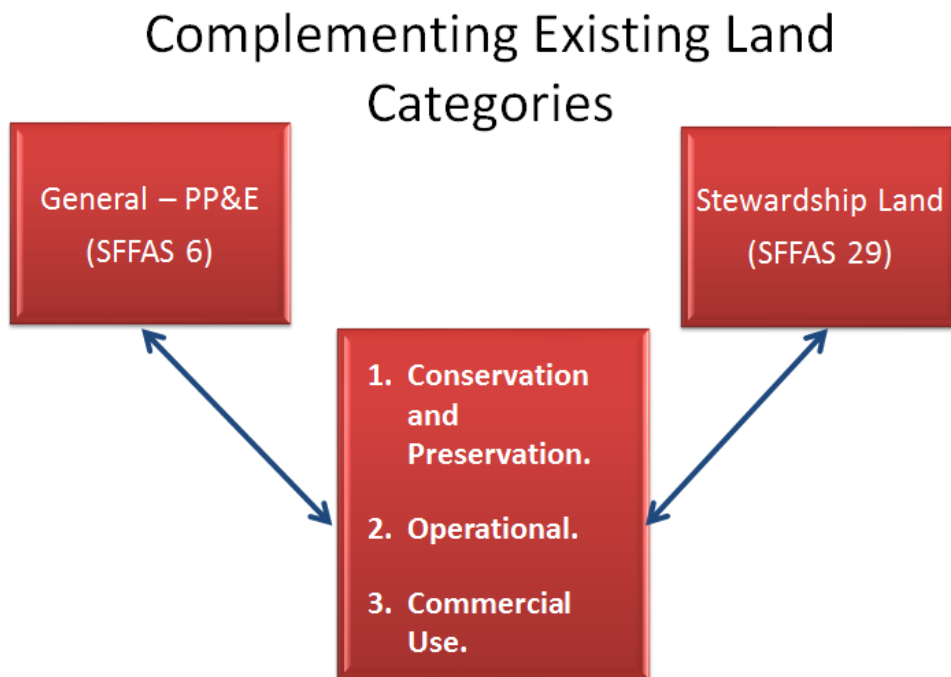
~~A35-A38.~~ This Statement was approved unanimously. Written ballots are available for public inspection at FASAB's offices.

## APPENDIX B: ILLUSTRATIONS

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

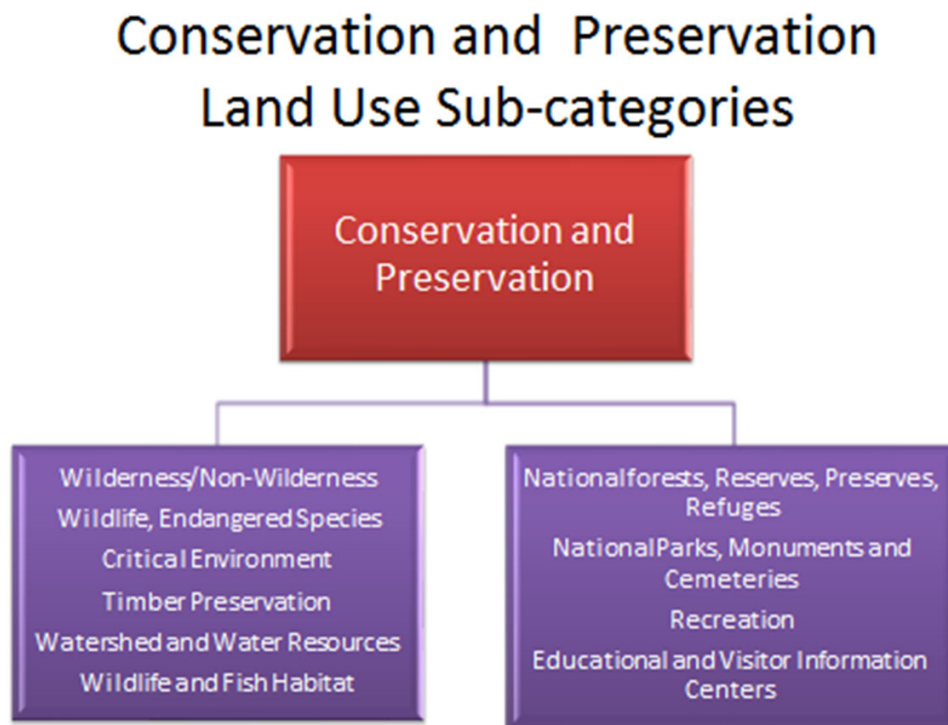
This appendix illustrates the application of certain key provisions of this Statement to assist in clarifying their meaning. The following partial sample illustrations at Appendices B-1 through B-2 are intended to aid in the application of these key provisions and not illustrate compliance with all of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



### 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.



### 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 (Amendment to SFFAS 6, paragraph 45)**

**Comment [DS69]:** Per Treasury 18 March 2019 telecon. To avoid the unintended creation of a 4<sup>th</sup> sub-category, clarify the examples at B1 and B2 concerning Acres of land Held for Disposal or Exchange. Also, it would be beneficial to users if entity's identify the land's current predominant use.

Staff: Concur. Please refer to the Bureau B narrative example below.

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

**Explanatory Comments**

- 1 - **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).
- 2 - **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 a single district office. Pursuant to statutory requirements, 7,200 acres of Bureau B's managed land located in the district's northwest corridor are held for disposal or exchange. All remaining land managed by Bureau B is considered to be inactive (not in current use) awaiting Congressional reviews.

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

**Comment [DS70]:** Per Treasury 18 March 2019 telecon. To avoid the unintended creation of a 4<sup>th</sup> sub-category, clarify the examples at B1 and B2 concerning Acres of land Held for Disposal or Exchange. Also, it would be beneficial to users if entity's identify the land's current predominant use.

Staff: Concur. Please refer to the Bureau A narrative example below.

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	
Agency X	96,251,797	89,507,814	0	6,743,983	96,251,797	1
Bureau A	46,932,741	44,512,434	0	2,420,307	46,932,741	2
Bureau B	40,101,267	40,101,267	0	0	40,101,267	3
SL Total - Department B	183,285,805	174,121,515	0	9,164,290	183,285,805	

**Explanatory Comments**

1 - **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 the 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).

Pursuant to statutory requirements, 10,200 acres of Conservation and Prerservation land located at 3 different sites are held for disposal or exchange.

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 (Amendments to SFFAS 29, paragraph 42 and SFFAS 32, paragraph 23)<sup>7</sup>**

**Comment [DS71]:** Per Treasury 18 March 2019 telecon. Conform the example at B3 to the B1 and B2 examples concerning Acres of land Held for Disposal or Exchange.

Staff: Concur. Please refer to the Department B narrative example below. Although Acres Held are identified, we refer the reader to the agency F/S for detail.

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**

- 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.
- 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. In addition, 17,400 acres (Bureau A 10,200 conservation and preservation acres and Bureau B 7,200 operational acres) of land are held for disposal or exchange pursuant to statutory requirements. For related details please refer to Department B's annual financial report.
- 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.
- 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.
- 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>7</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

**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.<sup>25</sup> Disposal includes conveyances of federal land to non-federal entities not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.

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

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

**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)

**Comment [DS72]:** Per L. Motley email dated 13 December.

Page 56, definition of Acres of land held for disposal or exchange

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 permanent 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.

- 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.

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

### **Task Force Member Firms**

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

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## 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 significant differences in accounting treatment and 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*<sup>1</sup>; 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*. The most notable matters brought to the Board's attention 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
  - 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
- 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.

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<sup>1</sup> SFFAS 7 requires that donations made to the government by a nonfederal entity, to include land or buildings should be recognized for those inflows of resources which meet recognition criteria for assets and measured at the estimated fair value of the contribution.

- A3. In contrast, SFFAS 29 defines “stewardship land” as land (including land rights) 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 and land rights or excluding them from opening balances with disclosure of acres of land and expensing of future acquisitions.
- A5. The above requirements result 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 and land rights 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>2</sup> among existing accounting standards, entity comparability and relevance of information regarding land, a land task force was created consisting of representation from federal agencies, the commercial sector, and citizens.<sup>3</sup> 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.

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<sup>2</sup> Criticisms over consistency have arisen because current standards differ in how entities report land and land rights; for example, G-PP&E land is capitalized, whereas SL is not. As such, some believe that inconsistent accounting standards lead to reporting that is not comparable and obscures how a user can assess an entity’s performance over land management.

<sup>3</sup> Please refer to Appendix E for the identification of Task Force participants.

- 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 the 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.

## **Incorporation of Conceptual Framework**

- A9. The Board considered its conceptual framework as well as the divergent task force views in developing its proposal for reporting on this significant asset. Options for financial and non-financial information (NFI) were assessed against the reporting objectives, the qualitative characteristics of information, the cost-benefit considerations, and presentation of information as basic or required supplementary information (RSI).

It is important to note that a major consideration throughout the Board's deliberations was the guidance provided at SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*. Specifically, paragraph 9 states that,

*"An item that meets the appropriate definition of an element is an asset, liability, revenue, or expense, even if it is not recognized in the accrual-basis financial statements because, for example, it is not measurable or its amount is not material. Unrecognized elements are candidates for disclosure in the notes to financial statements or as supplementary information."*

As a result, members agreed with those in the financial reporting community who noted the importance of having consistent accounting standards to improve financial reporting of land. Moreover, any recognition or measurement concerns could be addressed via the incorporation of NFI (acreage information). Specifically, the use of NFI for federal reporting of land is not new. In fact, a task force analysis noted that approximately 97.0% (~603.7 million acres) of all land managed by the federal government is SL which per SFFAS 29, *Heritage Assets and Stewardship Land*, has adopted the use of NFI (that is physical unit reporting) to satisfy both reporting objectives and the qualitative characteristics of information in federal reporting. Furthermore, the Board notes that a portion of the remaining ~3.0% (~19.6 million acres) of land currently classified as G-PP&E land is withdrawn land from the public domain; that is, land which would have otherwise been classified as stewardship land and subject to the SFFAS 29 requirements; non-recognition and use of NFI.

Due to concerns that the Stewardship and Operating Performance reporting objectives and qualitative characteristics, such as relevance and comparability were not being met, The Board proposed expensing land and permanent land rights and instead reporting acres in a note disclosure. Additional key conceptual points leading to the Board's proposal include:

- a. Historical cost of land and permanent land rights is not (1) useful to the majority of users for assessing entity operating performance primarily due to the static nature

of the reported dollars (that is, not accounting for inflation or changes in value) (SFFAC 1, par. 122-133) or stewardship (SFFAC 1, par. 134-145), or (2) relevant for decision makers (SFFAC 1, par. 161).

- i. Having considered the input of the task force, respondents and subject matter experts the Board also concluded that although historical cost information of G-PP&E land may be reliable for most agencies such information is not reliable at the government-wide level because historical cost records are incomplete or in some cases non-existent.
- b. Prior analyses of user needs and as confirmed by the land task force revealed that financial statements were limited inasmuch as users would often need to branch off into other venues to obtain additional information for context and increased understanding. (SFFAC 1, par. 158-159)
  - i. In addressing this limitation the Board concluded that reclassifying G-PP&E land and permanent land rights as a non-capitalized asset, expensing future acquisitions, and increasing disclosure requirements of non-financial land information would be more informative to users and best satisfy the Board's Stewardship and Operating Performance reporting objectives. This decision is consistent with SFFAS 50, which permits reporting entities to not capitalize G-PP&E land and land rights under certain conditions.
- c. Fair value was not cost-beneficial given the vast holdings of land primarily due to the impracticalities associated with valuing land absent conditions such as having demographically comparable sales, active markets or willing buyers and estimating the environmental liabilities associated with certain land holdings. (SFFAC 2, par. 73E.g. and SFFAC 5, par. 7)
  - i. Citizen users on the task force and some respondents noted the benefit of fair value estimates on government land holdings. They generally noted that in order to assess an entity's stewardship and operating performance, fair value estimates of land parcels would help assess whether such land should be either sold or transferred to state/local governments. However, the Board concluded that fair valuing land parcels would be prohibitive given the impracticalities and costs to measure land parcels and that acreage information would be more informative to the general public, Congress, and agency management.
- d. Acres would provide a transparent, understandable, and comparable measure across the federal government and allow users to consider how much land was held for particular purposes (operating performance) and how the amount of land held changed over time (stewardship). (SFFAC 2, par. 73E.e.)
  - i. The Board realizes that some respondents believe the use of NFI such as acreage to satisfy reporting objectives is relatively unprecedented. However, as previously noted SFFAS 29, Heritage Assets and Stewardship Land, adopted the use of NFI (that is physical unit reporting) to satisfy both reporting objectives and the qualitative characteristics of information in federal reporting. The Board further notes that to address

any potential audit challenges related to NFI, the requirements of this Standard are subject to a phased implementation schedule to enable the Board to evaluate implementation and identify and address any issues as they may arise.

- e. The non-financial information relates to a significant asset (an element of financial reporting) that interests a wide audience. Furthermore, it has a high degree of importance and criteria exist for reliably and consistently measuring acres, making the information appropriate for note disclosure. (SFFAC 2, par. 73E)
  - i. As previously noted G-PP&E land represents approximately 3.0% (~19.6 million acres) of land some of which has been withdrawn from the public domain. As such, were it not withdrawn such land would have to comply with the SFFAS 29 requirements; that is, non-recognition and use of NFI.
- f. The selection of an appropriate measurement attribute in specific circumstances should be based on the reporting objectives, qualitative characteristics, and cost-benefit constraints applicable to the financial information in question. (SFFAC 5, par. 8)
  - i. The Board concluded that attempting to apply a measurement attribute to the government's vast holdings of land would fail to meet cost-benefit considerations as well as some of the qualitative characteristics such as understandability, relevance, and comparability. The Board concluded that reclassifying previously capitalized G-PP&E land costs as expenses accompanied by NFI disclosures would best meet the reporting objectives and qualitative characteristics in a cost beneficial manner.
- g. In conclusion, the Board opines that the vast holdings and uses of federal land cannot adequately be conveyed to the public by any valuation method alone. Specifically, limitations inherent in valuations such as passage of time and inflation, changes in economics (for example, base closures, government relocations, etc.) or demographic or population shifts (for example, shifting veteran populations, rural development activities, etc.) and even weather related issues such as coastal floods and forest fires make it impractical and cost prohibitive to annually corroborate or appraise over 622 million acres. Instead, the Board believes that consistent with its conceptual framework, the use of NFI (acreage reporting) increases transparency while either avoiding or at least significantly minimizing burden and costs that would otherwise be borne if reliable and relevant valuation methods were used.

## Summary of Outreach Efforts and Responses

- A10. The ED was issued April 30th, 2018 with comments requested by July 30th, 2018. Upon release of the exposure draft, notices and press releases went to the following: the Federal Register, *FASAB News*, the *Journal of Accountancy*, *AGA Today*, the *CPA Journal*, *Government Executive* and the *CPA Letter*, the CFO Council, the Council of the Inspectors General on Integrity and Efficiency (CIGIE), the Financial Statement Audit Network; and members of both the Federal Real Property Council and Federal Facilities Council, and committees of professional associations generally commenting on exposure drafts in the past.

- A11. This broad announcement was followed by electronic mailings of the exposure draft to the following relevant congressional committees: Senate Energy and Natural Resources and House Natural Resources.
- A12. FASAB received a total of 16 responses which are summarized in the table below by respondent type. Although the majority of respondents generally agreed with the Board's proposal to reclassify G-PP&E land and permanent land rights as a non-capitalized asset and related disclosure requirements, some respondents (1) expressed concerns with what they viewed as a departure from universally accepted accounting principles and (2) identified certain issues that could be clarified within the Statement or addressed in the basis for conclusions.

### Summary of Respondent Types to Exposure Draft

RESPONDENT TYPE	FEDERAL (Internal)	NON-FEDERAL (External)	TOTAL
Preparers and financial managers	11	-0-	11
Users, academics, others	-0-	3	3
Auditors	1	1	2
Total	12	4	16

- A13. As a result, at the August 2018 Board meeting the Board decided to extend an invitation to (1) the respondents of the Land ED to discuss with the Board their comments on the ED and provide further clarification of their responses and (2) additional subject-matter experts comprising federal land managers, the audit community, and other interested parties to share their expert perspectives regarding land reporting. On October 2018, eight respondents accepted the Board's invitation to clarify their comments and five subject matter experts agreed to share their views on a variety of matters related to the Land ED.
- A14. The Board did not rely on the number in favor of or opposed to a given position. Information about the respondents' majority view is provided only as a means of summarizing the comments. The Board considered each response and weighed the merits of the points raised.
- A15. In their view, respondents agreeing with the Board's proposal to reclassify G-PP&E Land and permanent land rights noted that: (1) geographic information system (GIS) can be readily adopted to comply with the acreage reporting requirements and satisfy most auditor concerns, (2) valuing land is too costly and questionable in light of environmental liabilities, and (3) there will be little financial statement impact to



expensing future acquisitions G-PP&E land and permanent land rights. However, key concerns raised included: (1) comparability of physical units and potential for inconsistent application within agencies, (2) not all agencies have consistent GIS policies throughout their bureaus, and (3) system changes to policies and information technology databases/applications will require additional time and effort to implement.

- A16. Respondents who disagreed with reclassifying G-PP&E Land and permanent land rights noted the following concerns: (1) G-PP&E land is an asset which should remain on the balance sheet in order not to distort financial reporting, (2) the Board's proposal veers away from its conceptual framework while over-emphasizing one asset category over all the others, (3) separating a land value from a building value is complicated, (4) the ED leads to duplicative reporting because G-PP&E acres are presented in the Federal Real Property Profile (FRPP) as well as in performance reports, (5) audit precision and related burdens are problematic because there are no internal controls over acreage information systems, (6) there will be significant financial statement impact to expensing G-PP&E acquisitions in the statement of net cost, (7) physical units are not meaningful and the information already exists in other reports, (8) many implementation issues will require FASAB to spend time developing additional guidance, (9) some rate-setting entities use and require historical cost information concerning land, and (10) some agency GIS personnel have existing backlogs taking precedent such as land disputes which will not allow them to satisfactorily support reporting and audit initiatives.
- A17. Subject matter experts provided their views and perspectives to the proposed Land ED and their summarized individual points follow:

**Cost versus benefit (Preparer Burden)**

- a. The cost of aggregating land information given the de-centralized manner in which such information is stored may be cost prohibitive.
- b. Data collection should be commensurate with user needs.
- c. SFFAS 50 provides sufficient flexibilities with the use of deemed cost to allow certain entities under specific conditions to forgo reporting a cost for G-PP&E land and permanent land rights.
- d.
- e. Use of the Public Land Statistics report for financial accountability purposes would require an extensive and potentially cost-prohibitive investment of additional resources.

**Financial Management**

- f. This proposal runs contrary to the intent of legislation such as the CFO Act and the Federal Financial Management Improvement Act which were enacted to bring about improvements in the agencies' financial management.
- g. Excluding Land from the Balance Sheet understates the financial position of the government.
- h.
- i. The scale and level of detail for data published in the Public Land Statistics report is designed to meet the overall public need and does not provide sufficient information for direct financial determinations.

- j. Land is an asset that benefits future periods and performance and as such, should remain on the balance sheet.

**Proposed Disclosures -**

- k. Congress seeks information for a variety of purposes.
- l. Physical unit information to include acres is not very informative to users without context.
- m. Requiring performance information and arraying it against cost information to promote assessment of effectiveness and efficiency seems more appropriate and valuable to users.

**Materiality and Presentation -**

- n. Agencies should be allowed enough flexibility to tell their story and be creative.
- o. Materiality is a key concern and without clearer guidance in this regard, acreage or other non-financial information may be more suitable for Required Supplementary Information (RSI).
- p. Consideration should be given to presentation formats other than disclosures and the use of agreed upon procedures to help increase reliability.
- q. Given actual experiences, the preparer transition period should not be underestimated and it can take multiple years or cycles for auditors to gain comfort.
- r. The Bureau of Land Management (BLM) is working with and coordinating with the United States Geological Survey PAD-US (Protected Area Database of the United States) initiative. This includes reviewing data definitions and reconciling differences.
- s. Agency overlaps in reported land area data for the Surface Management Area (SMA) data layer are an issue that BLM is working to reconcile for more accurate representation of the SMA.

A18. Regarding the concern that expensing land and permanent land rights would distort financial reporting, the Board notes that presentation options exist that could mitigate potential distortions to an entity's operating costs brought about by expensing land and permanent land rights acquisitions. For example, material acquisitions might be presented separately as a major program or as costs not assigned to programs. Nevertheless in its re-deliberations of the Land ED, the Board believed that the respondent comments and subject-matter expert views indicated a need to reconsider certain disclosure requirements and the proposed implementation approach and related time-line. As a result, the following changes were made to the proposed Land ED requirements:

- a. Deleting the Physical Unit Disclosure Requirements.
- b. Deleting the requirement to reference DM&R (RSI) presentations.
- c. Limiting the first two disclosure requirements (that is, how land relates to the entity's mission and an entity's policies over land) to the primary categories of SL and G-PP&E land and not to the sub-categories.
- d. Simplifying the "Estimated Acres" reporting requirement by only requiring that beginning and ending balances be provided.



- e. Clarifying that "Acres of land held for disposal or exchange" applies only to land conveyed to non-federal entities.
- f. Clarifying the type of information to be disclosed at the government-wide level.

A19. Concerning the proposed implementation approach and related time-line, the Board agreed 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 preparation and auditability of the information not be resolved by the transition date, and (3) not allow for early implementation.

## User Needs

- A20. Respondents generally agreed that providing non-financial information (NFI) such as "estimated acres of land" would help ensure that user needs are met. One respondent noted that the information should be first designated as required supplementary information (RSI) and not moved to basic information until there is sufficient confidence in its reliability. Some respondents noted that to only focus on NFI may not be appropriate unless there is some financial information to which NFI relates.
- A21. As the Board noted in its ED, 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. Specific to land, users desire transparency (for example, fair value estimates or land measured by parcel size or acreage sizes) over how much land an entity manages and its use. As such, the Board believes that user needs are best met with information that is relevant, reliable and understandable while meeting cost-benefit considerations. To that end, the Board maintains its position that historical cost information although reliable in most cases is not relevant to most users and that given the cost-benefit constraints, NFI is best suited in meeting user needs.
- A22. Moreover, to increase the confidence in the reliability of the NFI over land, as noted in paragraph A18 above, the Board agrees with those respondents suggesting that an RSI transition period be established prior to transitioning to basic note disclosure. Concerning inclusion of financial information with which NFI should relate, the Board notes that entities are free to disclose the cost of G-PP&E land and permanent land rights in the notes. Nevertheless, consistent with SL requirements the Board has modified its proposal to now require entities with G-PP&E land and permanent land rights to reference a note on the balance sheet that discloses information about G-PP&E land and permanent land rights, but no asset dollar amount should be shown.

## Land Valuation

- A23. Few respondents addressed the issue of land valuation. In particular, one respondent noted that while fair market value is understandably challenging and costly to establish and maintain, historical cost (or a reasoned, supported estimate) should be an achievable metric. This respondent suggested that entities use tax assessments as the basis for the value of the land. Another respondent noted that the estimated value of the land should be strictly the remainder of the cost after the estimate for the building is deducted. As the Board noted in its ED, 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 the Board believes that users will be best served by the presentation of NFI. Although historical cost information can be derived in some case using tax assessments or by calculating a residual amount, the limited benefits do not seem to justify the costs that entities would need to incur.

## **Land Use – Categorizing and Sub-categorizing Land Consistently**

- A24. The majority of respondents agreed with retaining the G-PP&E land and SL categories and related sub-category definitions. To improve the comparability of reporting federal land holdings and the uniformity of disclosures, the Board proposed that three sub-categories predicated on land-use that both G-PP&E land and SL would be classified under: (1) conservation and preservation land; (2) operational land; and (3) commercial use land. Concerning the sub-categories, respondents noted that (1) the entity should determine in which sub-category the acres are placed and should not be required to pro-rate among the sub-categories and (2) the three sub-category definitions appear after the proposed definition of Acres of Land Held for Disposal or Exchange making it appear that there are four unique sub-categories rather than three.
- A25. The Board notes that the Land ED explicitly stated that the sub-categorizations would be predicated on predominant use. Predominant use is not a new requirement and was first introduced in Statement of Federal Financial Accounting Standards 29: *Heritage Assets and Stewardship Land*, issued July 7, 2005. Furthermore, concerning G-PP&E Land, the General Service Administration's Federal Real Property Council has established predominant use reporting definitions and requirements since 2005.
- A26. It is important to note that this Statement continues the practice in SFFAS 29 that provides entities with flexibility in determining predominant use. For example, in cases where land, including permanent land rights has multiple uses, none of which is predominant, the entity should attempt to sub-categorize such land. In so doing, entities may find it practicable to pro-rate the estimated acres among the sub-categories. The appropriate level of sub-categorization of land use should be meaningful and determined by the preparer based on (1) the entity's mission, (2) types of land use, (3) how it manages the land, and (4) the nature, number and amount of funding streams. To be considered a predominant use, land activities or uses are generally not incidental but are normal and recurring in connection to the entity's mission. Nevertheless, the Board recognizes that future guidance concerning predominant use may be required.
- A27. Regarding Acres of Land Held for Disposal or Exchange defined at paragraph 20.A., the Board notes that (1) it did not intend to create a fourth sub-category and that narrative presentation or disclosure of said acres is sufficient to meet the Standard's requirements, (2) entities are free to develop graphical or tabular illustrations, and (3) examples found at Appendix B are intended to aid in the application of these key provisions and not illustrate compliance with all of the proposed disclosure requirements.

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

- A28. The majority of respondents agreed with the Board's proposal to retain the G-PP&E land and SL categories. SFFAS 6 establishes three categories of PP&E: (1) general PP&E, (2) heritage assets, and (3) stewardship land. It is important to note that 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 actually used during the reporting period. Due to concerns over inconsistent accounting and reporting of federal land, the Board established three sub-categories based on how entities in fact use the land they manage. 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. Therefore, users are provided with both the entity's intended use of the land and permanent land rights (that is, primary categories of SL or G-PP&E Land) as well as their actual use (predicated on predominant use by sub-category) during the reporting period.

## Developing Uniform Land Disclosure Requirements

- A29. Although the majority of respondents agreed with the Board's proposed disclosure requirements some respondents noted that preparer burden and audit efforts would increase. Two examples cited include: (1) financial reporting systems are not currently designed to capture the newly required information and (2) agencies have spent considerable resources to ensure compliance and auditability and adding more data elements to the reporting requirements contributes to disclosure overload. However, some respondents also believed that increases to preparer burden and audit efforts after initial implementation would be non-recurring. Also, in addition to revising the Board's proposed implementation timeline, more fully discussed below, GAO and OMB expect to coordinate efforts and work towards developing auditor guidance as appropriate.
- A30. In connection with the Board's position to reclassify G-PP&E land and permanent land rights as a non-capitalized asset, the Board believes that developing uniform accounting and reporting requirements across all land categories not only satisfactorily addresses longstanding issues concerning the reporting over land but also increases informational value to users. The disclosure requirements has been primarily taken from existing requirements contained in SFFAS 29 (for example, disclosure of how land relates to an entity's mission and its policies over land). Moreover, the Board considered respondent comments as well as interested party views in developing the final disclosure requirements. As a result, the revised disclosure requirements reflect the following changes:
- i. Eliminating physical unit disclosure requirements,
  - ii. Eliminating the deferred maintenance and repair reference requirement,
  - iii. Limiting the first two disclosure requirements (that is, how land relates to the entity's mission and an entity's policies over land) to the primary categories of SL and G-PP&E land and not to the sub-categories,
  - iv. Simplifying the acreage reporting requirement by only requiring the beginning and ending balances be presented, and

- v. Clarifying that “Acres of land held for disposal or exchange” applies only to land satisfying legislative disposal authority requirements intended to be conveyed to non-federal entities.
- vi. Clarifying the type of information to be disclosed at the government-wide level).

The Board believes that the revised disclosure requirements coupled with a graduated phase-in approach satisfactorily addresses concerns related to preparer burden and audit effort.

## Definitions

- A31. The majority of respondents agreed with the proposed definitions. As previously noted, the task force recommended that the current land categorizations of SL and G-PP&E land be retained. Pursuant to respondent comments, the Board did however clarify that “Acres of land held for disposal or exchange” applies only to land satisfying legislative disposal authority requirements intended to be conveyed to non-federal entities. 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.

## Requests for Exceptions to De-recognition

- A32. Several respondents noted particular circumstances or cases that would require them to continue capitalizing G-PP&E land and permanent land rights. This also included the inability to separate the cost of land from an infrastructure or investment holding’s overall cost. As a result, some of these respondents asked for an exception to the de-recognition requirement. The Board reviewed each of the cited instances and notes that exceptions are not warranted because entities are free to include disclosures of the cost of G-PP&E land and permanent land rights at their discretion without explicit guidance to do so. Additionally, it would be confusing to have some entities reporting G-PP&E land and permanent land rights on the face of financial statements while excluding others and this forthcoming standard would not necessarily have to apply to the entries in an entity’s general ledger, only to its financial statement reporting. That is, if the cost of G-PP&E land and permanent land rights needs to be capitalized for management purposes, it still can be. Concerning inseparable land costs, the Board notes that if the cost of G-PP&E land and permanent land rights is material, additional effort should be made to identify its cost.

## Application of this Statement

- A33. Reporting entities are subject to the reporting requirements under paragraph 13 of SFFAS 21, *Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources*. Specifically, paragraph 12 of SFFAS 21 states, “For the purposes of this standard, changes in accounting principles also include those occasioned by the adoption of new federal financial accounting standards.” Therefore, reporting entities with G-

PP&E land deemed to be material should follow the guidance in SFFAS 21 paragraph 13.a. - 13.c. for all changes in accounting principles:

- a. The cumulative effect of the change on prior periods should be reported as a “change in accounting principle.” The adjustment should be made to the beginning balance of cumulative results of operations in the statement of changes in net position for the period that the change is made.
- b. Prior period financial statements presented for comparative purposes should be presented as previously reported.
- c. The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure.

SFFAS 21 provides that the adjustment should be made to the beginning balance of cumulative results of operations in the statement of changes in net position for the period that the change is made. Thus, no change would be made to the ending net position of the previous year. The disclosures should be at a high level briefly describe the effect on beginning net position.

## Balance Sheet References

- A34. In providing the note disclosure information required for G-PP&E land and permanent land rights at SFFAS 6 paragraph 45A and Stewardship Land at SFFAS 29 paragraph 40, entities may combine the display and/or disclosure for GPP&E land and permanent land rights and stewardship land. However, in so doing the category distinctions should remain evident to the reader. That is, although the Board has established uniform disclosure requirements to increase informational value, the existing distinction between G-PP&E land and SL have been retained.

Disclosure requirements for the U.S. Government-wide financial statement contained at SFFAS 32 paragraph 23 and SFFAS 29 paragraph 42 may also combine the display and/or disclosure for GPP&E land and permanent land rights and stewardship land. In such cases and to the extent possible, direct references to agency reports for additional category information about GPP&E land and permanent land rights stewardship land should be made.

## Supporting Documentation

- A35. 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 makes the point 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 and permanent land rights 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 or predominant use assessments and (2) does not intend to direct or prescribe the use of any particular approach.

- A36. 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 TR 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 or rely on management tools such as Geospatial Information. The Board expects preparers to apply a variety of documented methods and techniques in arriving at estimates.

## **Implementation and Effective Date**

- A37. In part, to acknowledge that non-traditional supporting documentation to develop reasonable acre estimates would satisfy the disclosure requirements the Board has established that the disclosure requirements phase-in beginning in FY 2021 as RSI and transition to Basic information with removal of G-PP&E land and permanent land rights from the balance sheet in FY 2024. Early implementation will not be permitted. In establishing the phase-in approach and effective date, the Board considered respondent comments and interested party views noting the time needed for reporting entities to (1) develop and implement related policies and procedures, (2) establish acreage estimates 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.

## **Board Approval**

- A38. This Statement was approved unanimously. Written ballots are available for public inspection at FASAB's offices.

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