



August 9, 2019

Memorandum

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

Subj: **Draft SFFAS: Accounting and Reporting of Government Land – Tab B¹**

MEMBER ACTIONS REQUESTED:

- **Review** a draft SFFAS
- **Provide** answers to the 4 questions summarized on page 15 by August 23rd.

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

You may electronically access all of the briefing material at <https://fasab.gov/board-activities/briefing-materials/>

- **Attachment 1- Draft SFFAS: Accounting and Reporting of Government Land – Tracked Changes version.**
- **Attachment 2- Alternative Structure: RSI transition period and effective date.**
- **Appendix 1 - Draft BFC Clean version: Accounting and Reporting of Government Land.**

NEXT STEPS

September – November 2019²

- Proceed with an electronic pre-Ballot shortly after the August meeting.
- Proceed with a ballot (vote) at the October Board meeting.
- Issue the Final SFFAS allowing for 45 and 90 day Congressional and Principal reviews, respectively.

¹ 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.

² Please be reminded that pre-ballot documents offer members an opportunity to clarify or editorialize but not to make substantive changes to the proposals. Dissents should be provided in advance so that others may consider the dissenting view before voting.

BACKGROUND

BACKGROUND

At the June 24th meeting members discussed (1) the draft Basis for Conclusions' content, (2) required supplementary information (RSI) transition period and effective date language, and (3) temporary land rights (TLRs).

Although members agreed that the Basis for Conclusions (BFC) improved from its April version, members asked staff to focus not only on the content, but its logical flow and the ability to clearly express board intent and rationale for each area discussed. Paragraph A32, *Requests for Exceptions to De-recognition*, was cited as an example of a paragraph that could benefit from such an editorial review.

Members generally agreed that given the definite or fixed useful life of TLRs they should be capitalized and depreciated/amortized. Member's agreed that capitalizing TLRs is consistent with the allocation concept in accounting (that is, allocating period costs). Accordingly, members requested that staff add a TLR section to the BFC.

However, members disagreed with allowing those entities electing to exclude land and (all) land rights from opening balances to be permitted to expense all future TLRs. That is, entities adopting to exclude land and land rights from opening balances would need to prospectively capitalize and depreciate/amortize TLRs. Accordingly, members agreed to change the proposed SFFAS 6, Paragraph 40.f.i amendment to reflect the prospective capitalization of TLRs.

Members discussed clarifying the RSI transition period and effective date language by ensuring that the guidance clearly state (1) for G-PP&E Land, existing requirements to display balances and disclose information remain in effect until fiscal year 2024 when the RSI information transitions to basic, (2) for both G-PP&E Land and Stewardship Land (SL) no balance sheet reference to RSI should be made during the transition period, and (3) for SL, existing requirements to reference a note on the balance sheet that discloses information without displaying any asset dollar amount should continue until fiscal year 2024 when the RSI information transitions to basic.

No additional technical matters were identified and members reserved judgment on the BFC until a final and refreshed version is presented for review.

Next Steps

1. Incorporate a revised Basis for Conclusions pursuant to Board re-deliberations and work with members to help ensure that their concerns are reflected in the forthcoming revisions.
2. Address the technical issue raised concerning Temporary Land Rights.
3. Clarify guidance concerning the RSI transition period and effective date.

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 with a cc to valentinem@fasab.gov. Thank you.

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REFRESHED DRAFT SFFAS BFC DISCUSSION POINTS

REFRESHED DRAFT SFFAS BFC DISCUSSION POINTS

To facilitate your review, the table below compares the June draft BFC to a refreshed August draft BFC incorporating a topical sequence (flow) analysis.

Please note that this analysis is limited only to the sequencing of the discussion points contained in the BFC. Content and textual revisions arising from the June meeting are included as a clean version in Appendix 1 and highlighted in the tracked-changes version included as Attachment 1.

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

June Draft SFFAS BFC Topic Sequence	Paragraph		August SFFAS BFC Topic Sequence	Paragraph
1. Project History	A1 – A8		1. Project History	A1 – A8
2. Incorporation of Conceptual Framework	A9		2. Development of the Exposure Draft Incorporation of Conceptual Framework	A9
3. Summary of Outreach Efforts and Responses	A10 – A19		3. Summary of Outreach Efforts and Responses	A10 – A19
4. User Needs	A20 – A22		4. User Needs	A20 – A22
5. Land Valuation	A23		5. Land Valuation	A23
6. Land Use – Categorizing Land Consistently	A24 – A27		6. Retaining Property, Plant, and Equipment (PP&E) Categories Land Use – Categorizing Land Consistently	A23
7. Retaining Property, Plant, and Equipment (PP&E) Categories	A28		7. Land Use – Categorizing Land Consistently Retaining Property, Plant, and Equipment (PP&E) Categories	A24 - A27
8. Developing Uniform Land Disclosure Requirements	A29 – A30		8. Developing Uniform Land Disclosure Requirements	A28 – A29
9. Definitions	A31		9. Definitions	A30

REFRESHED DRAFT SFFAS BFC DISCUSSION POINTS

June Draft SFFAS BFC Topic Sequence	Paragraph	August SFFAS BFC Topic Sequence	Paragraph
10. Requests for Exceptions to De-recognition	A32	10. NEW SECTION Temporary Land Rights	A31 – A32
11. Application of this Statement	A33	11. Requests for Exceptions to De-recognition	A33
12. Balance Sheet References	A34	12. Application of this Statement	A35
13. Supporting Documentation	A35 – A36	12. 13. Balance Sheet References	A34
14. Implementation and Effective Date	A37	13. 14. Supporting Documentation	A35 - A36
15. Board Approval	A38	14. Application of this Statement	A37
		15. Implementation and Effective Date	A38
		16. Board Approval	A39

BFC TOPICAL FLOW ANALYSIS

BFC TOPICAL FLOW ANALYSIS

Table 1.1
BFC Sections 1 through 3: Project Journey from Exposure Draft (ED) to Respondent Comments

June Draft SFFAS BFC Topic Sequence	Paragraph		August SFFAS BFC Topic Sequence	Paragraph
1. Project History	A1 – A8		1. Project History	A1 – A8
2. Incorporation of Conceptual Framework	A9		2. Development of the Exposure Draft Incorporation of Conceptual Framework	A9
3. Summary of Outreach Efforts and Responses	A10 – A19		3. Summary of Outreach Efforts and Responses	A10 – A19

The first section of the BFC begins with justifying the project’s need by documenting several issues brought to the Board’s attention and the use of a task force to assist in identifying potential solutions or options regarding the accounting and reporting of land.

The second section moves to specific conceptual considerations that members relied upon in addressing these issues and proposed task force results. The third section concludes with the Board’s request for comments.

Staff Review and Suggestion – Although the topical flow is chronologically based, staff suggests that we retitle the second section to “Development of the Exposure Draft.” Staff believes that the use of the conceptual framework was not an end to itself, but served as the Board’s basis in forming the ED and guiding (re)deliberations.

**Table 1.2
BFC Sections 4 through 6: Evaluation of Task Force User Needs**

June Draft SFFAS BFC Topic Sequence	Paragraph		August SFFAS BFC Topic Sequence	Paragraph
4. User Needs	A20 – A22		4. User Needs	A20 – A22
5. Land Valuation	A23		5. Land Valuation	A23
6. Land Use – Categorizing Land Consistently	A24 – A27		6. Retaining Property, Plant, and Equipment (PP&E) Categories Land Use – Categorizing Land Consistently	A23

Sections 4 through 6 primarily represent information needs that mattered most to task force users as well as some preparers and auditors. For example, reporting non-financial information (NFI) such as acres, fair value estimates and how federal land is managed and used.

Staff Review and Suggestion – Staff suggests:

- **Eliminating section 5 on land valuation at paragraph A23** - and that its contents be deleted because paragraphs A9a, A9c, and A9f sufficiently address land valuation and the Board’s rationale concerning historical cost, fair value, and cost-benefit considerations.
- **Reordering sections 6 and 7 (refer to Table 1.3 on next page)** - Although section 6 (land use) preceded section 7 (retaining PP&E categories) in task force discussions, given that the primary classification of G-PP&E land and SL logically precedes the sub-categorization of land based on predominant use, staff advises that the two sections exchange paragraph locations.

Table 1.3
BFC Sections 7 through 9: Addressing Task Force Preparer Issues

June Draft SFFAS BFC Topic Sequence	Paragraph		August SFFAS BFC Topic Sequence	Paragraph
7. Retaining Property, Plant, and Equipment (PP&E) Categories	A28		7. Land Use – Categorizing Land Consistently Retaining Property, Plant, and Equipment (PP&E) Categories	A24 - A27
8. Developing Uniform Land Disclosure Requirements	A29 – A30		8. Developing Uniform Land Disclosure Requirements	A28 – A29
9. Definitions	A31		9. Definitions	A30

Sections 7 through 9 primarily represent accounting and reporting issues that mattered most to task force preparers as well as some users and auditors. For example, (1) retaining the G-PP&E Land and Stewardship Land (SL) distinction primarily due to budget implications and operational concerns, (2) increased preparer burden brought about by the proposed disclosures, and (3) clarifying the existing SL definition as well as developing new definitions for the proposed disclosure requirements.

Staff Review and Suggestion – As discussed at Table 1.2, staff advises that sections 6 and 7 exchange paragraph placement because the primary classification of G-PP&E land and SL logically precede the sub-categorization of land based on predominant use.

BFC TOPICAL FLOW ANALYSIS

**Table 1.4
BFC Sections 10 through 15: Consideration of Comments and Deliberations**

June Draft SFFAS BFC Topic Sequence	Paragraph		August SFFAS BFC Topic Sequence	Paragraph
10. Requests for Exceptions to De-recognition	A32		10. NEW SECTION Temporary Land Rights	A31 – A32
11. Application of this Statement	A33		11. Requests for Exceptions to De-recognition	A33
12. Balance Sheet References	A34		12. Application of this Statement	A35
13. Supporting Documentation	A35 – A36		12. 13. Balance Sheet References	A34
14. Implementation and Effective Date	A37		13. 14. Supporting Documentation	A35 - A36
15. Board Approval	A38		14. Application of this Statement	A37
			15. Implementation and Effective Date	A38
			16. Board Approval	A39
			PENDING	

Sections 10 through 15 primarily consist of the Board’s due process and (re)deliberations incorporating respondent comments and considering preparer and subject matter expert testimony.

Staff Review and Suggestion – Staff recommends:

- **Beginning with the land rights discussion** - Section 10 should include the Board’s discussion, rationale and conclusion concerning temporary land rights (TLRs) because (1) to date, this issue represents the last technical matter deliberated by the Board, (2) was not identified by either task force users (sections 4 thru 6) or preparers (sections 7 thru 9) as a matter of concern, and (3) this issue was raised during the comment period and considered in re-deliberations.
- **Reordering section 12** - Sections 13 (Balance Sheet References) and 14 (Supporting Documentation) should precede section 12 (Application of this Statement) because they address discrete technical matters whereas section 12 discusses general guidance related to reporting changes in accounting principles.

TEMPORARY LAND RIGHTS

TEMPORARY LAND RIGHTS

SUGGESTED AMENDMENT

Members generally agreed that given the definite or fixed useful life of TLRs, that such rights, unlike permanent land rights should be capitalized and depreciated/amortized. Members noted that capitalizing TLRs is consistent with the allocation concept in accounting (that is, allocating costs among periods).

However, members disagreed with allowing those entities electing to exclude land and (all) land rights from opening balances to be permitted to expense all future TLRs. That is, entities adopting to exclude land and land rights would need to prospectively capitalize and depreciate/amortize TLRs. Accordingly, members agreed to change the proposed SFFAS 6, Paragraph 40.f.i amendment to reflect the prospective capitalization of TLRs.

As a result, staff suggests that the following language be considered by the Board for amending SFFAS 6, paragraph 40.f.i.:

To be included in the Pre-ballot SFFAS: Revised amendment

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 prospectively capitalize and depreciate or amortize ~~expense future land and~~ temporary land right acquisitions.

TLR BFC RATIONALE

In SFFAS 6, *Accounting for Property, Plant, and Equipment* (PP&E) the Board provided for the recognition of land rights³ as part of PP&E since they are generally associated with an entity's tangible PP&E. In addition, where land rights are for a limited or finite period of time (that is, temporary), the Board provided for amortization/depreciation of the cost to acquire and maintain such rights.

SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35* provided alternative methods for establishing opening balances. Specifically, paragraph 13 (amending paragraph 40 of SFFAS 6) provided reporting entities that met the SFFAS 50 criteria to apply the option to either (1) exclude both land and (all) land rights from the opening balance of general PP&E or (2) recognize land and land rights in opening balances based on the provisions of the alternative valuation method (deemed cost). It is important to note that during the SFFAS 50 deliberations the Board attempted to further consider land rights but was unable to obtain additional information and as a result, decided to treat all land rights similar to land until the issue could be more thoroughly researched in the land project.

³ Land rights typically include interests and/or privileges held by an entity in land that is owned by others. Such rights can include leaseholds, easements, water and water power rights, diversion rights, submersion rights, and rights-of-way.

TEMPORARY LAND RIGHTS

At the inception of the land project the Department of Defense, Department of Energy, and Department of the Interior noted that they did not believe land rights were material and that trying to isolate separable land rights (for example, temporary land rights or permanent land rights from land) would be cost prohibitive.

As a result, the Board proposed in its ED to treat land rights with an unlimited or infinite period of time (that is, permanent) consistent with the proposed requirements regarding land acquisitions (that is, expensing) and to continue treating those temporary land rights consistent with SFFAS 6. During re-deliberations and considering respondent comments⁴ specific to land rights, the Board reconsidered its proposed amendment allowing entities to expense future acquisitions of temporary land rights when electing to exclude land and land rights (from the opening balance of general PP&E pursuant to SFFAS 50).

The Board believes that increasing comparability and consistency by providing a uniform accounting practice relative to all land rights is of utmost importance. Furthermore, the Board notes that unlike permanent land rights, temporary land rights are limited in duration and have a definite useful service or economic life and that accrual based financial statements benefit by the allocation of costs between accounting periods.

Therefore, the Board concluded that those entities electing to exclude land and land rights from their opening balances should capitalize and depreciate/amortize temporary land rights, prospectively.

⁴ For example, some respondents noted: (1) that all land rights be treated the same regardless of their duration, (2) that temporary land rights with a long-term duration should be treated as a permanent land-rights, (3) that land rights should not be classified by their duration but governed by whether such land rights were fee-purchased or less than fee-purchased, and (4) whether temporary land rights were even applicable to stewardship land. Staff notes that the accounting practices suggested above such as treating all land rights the same or classifying land rights by the nature of their acquisition (for example, fee-purchased or less than fee-purchased) are not compatible with the objective of this Statement which is to ensure consistent accounting treatment and reporting for land holdings or in keeping with FASAB's reporting objectives and qualitative characteristics such as the operating performance objective, and comparability and consistency, respectively. Lastly, temporary land rights such as a right-of-way or easement can also apply to SL in the same way they apply to G-PP&E land.

QUESTIONS FOR THE BOARD

QUESTIONS FOR THE BOARD

Question 1- Refer to memo pages 4 through 9, Attachment 1 and Appendix 1. At the June 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 suggestions and commentary which staff has included in the attached documents.

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?

Question 2 – Refer to memo pages 10-11, Attachment 1 page 8, and Appendix 1, paragraphs A31-A32. Members generally agreed that given the definite or fixed useful life of TLRs they should be capitalized and depreciated/amortized. However, members disagreed with allowing those entities electing to exclude land and (all) land rights from opening balances to be permitted to expense all future TLRs. That is, entities adopting to exclude land and TLRs would need to prospectively capitalize and depreciate/amortize TLRs. Accordingly, members agreed to change the proposed SFFAS 6, Paragraph 40.f.i amendment to reflect the prospective capitalization of TLRs.

Suggested staff edits

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 prospectively capitalize and depreciate or amortize ~~expense future land and~~ temporary land right acquisitions.

Question 2

Do members agree with the suggested staff edits to SFFAS 6, paragraph 40.f.i. concerning temporary land rights? If not, please provide your rationale and any accompanying suggestions or edits.

QUESTIONS FOR THE BOARD

Question 3 – Refer to pages 8, 13, 16 and 17 of Attachment 1 and Attachment 2.

Members discussed clarifying the RSI transition period and effective date language by ensuring that the guidance clearly state (1) for G-PP&E Land, existing requirements to display balances and disclose information remain in effect until fiscal year 2024 when the RSI information transitions to basic, (2) for both G-PP&E Land and Stewardship Land (SL) no balance sheet reference to RSI should be made during the transition period, and (3) for SL, existing requirements to reference a note on the balance sheet that discloses information without displaying any asset dollar amount should continue until fiscal year 2024 when the RSI information transitions to basic.

Attachment 1 pages 8 through 17 reflect changes made primarily as a result of member input received in preparation for and during the June meeting. Subsequent to the June meeting in consultation with Mr. Dacey, staff developed an alternative structure and revised language which can be found at Attachment 2 that members may prefer over the changes currently contained on pages 8, 13, 16, and 17 of Attachment 1. Please refer to Attachment 2, pages 4 through 7 for the alternative structure and language details of which are outlined below:

1. SFFAS 6, G-PP&E:

- i. Rewrite of Paragraph 45A (**Attachment 1, page 8**)
- ii. Adding a new Paragraph 45B
- iii. Clarifying Effective Date Par. 14 and new Par. 15

2. SFFAS 29, SL:

- i. Rewrite of Amended Paragraph 40 - Components (**Attachment 1, page 13**)
- ii. Adding a new Paragraph 40A
- iii. Amended Paragraph 42 Government-wide (**Attachment 1, page 16**)
- iv. Clarifying Effective Date Par. 14 and new Par. 15

3. SFFAS 32, G-PP&E:

- i. Amended Paragraph 23b - Government-wide (**Attachment 1, page 17**)

Question 3

Do members prefer the alternative structure and language over the current structure and language? If not, please provide your rationale and any accompanying suggestions or edits.

QUESTIONS FOR THE BOARD

Question 4 - Refer to pages 6 through 22 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 4

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

Note: Staff will proceed with an electronic Pre-Ballot shortly after the August meeting. Please be reminded that pre-ballot documents offer members an opportunity to clarify or editorialize but not to make substantive changes to the proposals. Technical issues are expected to have been resolved before a pre-ballot is offered.

As a courtesy to your colleagues, dissents should be provided in advance so that others may consider the dissenting view before voting at the October meeting.

QUESTIONS FOR THE BOARD

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?

Question 2 - Do members agree with the suggested staff edits to SFFAS 6, paragraph 40.f.i. concerning temporary land rights? If not, please provide your rationale and any accompanying suggestions or edits.

Question 3 - Do members prefer the alternative structure and language over the current structure and language? If not, please provide your rationale and any accompanying suggestions or edits.

Question 4 - 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

ACCOUNTING AND REPORTING OF GOVERNMENT LAND

Statement of Federal Financial Accounting Standards #XX

Month Day, 2019

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.

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SUMMARY

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 Stewardship Land (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.

Comment [DS1]: Per Editor – FASAB rule is to treat the Summary section separate and distinct from the Standards and BFC portions of the Statement which are considered to be one section. As such, once an abbreviation is established in the Standard it need not be re-set in the BFC.

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STANDARDS

SCOPE

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:¹
 - 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*²

Comment [DS2]: Staff edit. 11 July.

SFFAS 50 amended SFFAS 6 and rather than duplicating those amendments in this Statement, staff suggests that we clearly note that SFFAS 50 is an amending statement and that amendments to SFFAS 6 will be incorporated by reference as reflected in the SFFAS 6 amendments contained herein.

¹ 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.

² [Amendments to SFFAS 50 an amending Statement affecting SFFAS 6 will be incorporated by reference as reflected in the SFFAS 6 amendments contained herein.](#)

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^{28.1} acquired for or in connection with other general PP&E²⁹ 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^{29.1} 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 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.

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 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^{40.1} 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,⁴¹ except land and permanent land rights, which shall be expensed as incurred of unlimited duration.⁴² [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 property, plant, and equipment (G-PP&E) land. Because SFFAS 50 first amended this paragraph in SFFAS 6, SFFAS 50, paragraph 13 is also amended to conform to amended paragraph 40 shown below. There are no changes to paragraph 40.a–40.e.ii, 40.g, 40.h.i, and 40.i.i.

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

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

Comment [DS3]: Staff edit 11 July. See memo for rationale.

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. Effective fiscal year 2024, entities, ~~Entities with G-PP&E land and permanent land rights should reference a note on the balance sheet that discloses information listed below in sub-paragraphs a through f~~ 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 2023 and transition to basic ~~as a note disclosure~~ in fiscal year 2024. Asset dollar amounts for G-PP&E land and permanent land rights should remain on the balance sheet until along with existing disclosures FN1 fiscal year 2024 when the RSI information transitions to basic ~~as a note disclosure~~. However, there should not be a reference on the balance sheet to the information required by this standard while it is reported as RSI. The following information should be provided regarding G-PP&E land³ and permanent land rights:

Comment [DS4]: As per June Board meeting.

Comment [DS5]: As per G. Scott email dated 23 June.

Comment [DS6]: As per G. Scott email dated 23 June.

Comment [DS7]: As per Mr. Dacey's email dated 26 June 19 – Adopting Mr. Dacey's concern regarding RSI references on the balance sheet.

Although this edit was proposed for SFFAS 29, it also applies to G-PP&E land.

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.

- a. A concise statement explaining how land relates to the mission of the entity should be provided.
- b. A brief description of the entity's policies for land should be provided. Policies for land are the goals and principles the entity established to guide its acquisition, maintenance, use, and disposal of land consistent with statutory requirements, prohibitions, and limitations governing the entity and the land.
- c. Land and permanent land rights should be assigned to one of three sub-categories based on predominant use and reported 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 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 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.

FN 1 – For G-PP&E land, existing disclosures are those which are in effect prior to the amendments contained herein in Paragraph 45A. They include disclosures required by Paragraph 40h for those entities electing an alternative method for land and land rights and if applicable, the minimum G-PP&E disclosure requirements as required by Paragraph 45.

- 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 statutory disposal authority requirements specific to the land in question.^{24.1}

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 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*

7. This paragraph amends SFFAS 29 to clarify the definition of stewardship land (SL) and references to general PP&E.

a. Paragraph 33 is amended as follows:

33. Stewardship Land is ~~includes both public domain^{14.1} and acquired~~ land and land rights¹⁵ owned by the Federal Government ~~intended to be held indefinitely, but not acquired for or in connection with¹⁶ items of general PP&E.~~ Examples of stewardship land include land reserved, managed, planned, used, or acquired for¹⁶ 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.

Comment [DS8]: As per P. McNamee 21 June email.

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.²⁰

~~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 note²¹ on the balance sheet that 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 2023 and transition to basic in fiscal year 2024. However, there should not be a reference on the balance sheet to the information required by this standard while it is reported as RSI. Existing disclosures FN21A should continue during the transition period until fiscal year 2024 when the RSI information transitions to basic. The note disclosure⁴ 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~~

⁴ 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.

the entity's mission, types of stewardship land use, and how it manages the assets. For each major category of stewardship land use the following should be reported:

1. The number of physical units by major category of stewardship land use for which the entity is the steward as of the end of the reporting period;
2. The number of physical units by major category of stewardship land use that were acquired and the number of physical units by major category of stewardship land use that were withdrawn during the reporting period; and
3. A description of the major methods of acquisition and withdrawal of stewardship land during the reporting period. This should include disclosure of physical units (by major category of stewardship land use) of transfers of stewardship land between Federal entities and the number of physical units (by major category of stewardship land use) of stewardship land acquired through donation or devise, if material. In addition, the fair value of stewardship land acquired through donation or devise during the reporting period should be disclosed, if known and material.

- a. A concise statement explaining how stewardship land relates to the mission of the entity should be provided.
- b. A brief description of the entity's policies for stewardship land should be provided. Policies for land are the goals and principles the entity established to guide its acquisition, maintenance, use, and disposal of land consistent with statutory requirements, prohibitions, and limitations governing the entity and the land.
- c. Information of land use by sub-category. Stewardship land and permanent land rights should be assigned to one of three sub-categories based on predominant use and reported 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 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 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 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.

FN21A - For Stewardship land, existing disclosures are those which are in effect prior to the amendments contained herein in Paragraph 40. They are those disclosures required by Paragraph 40, entitled “Disclosures and Required Supplementary Information” that are being rescinded (40.a through 40.d 3) effective fiscal year 2024. To the extent practical, duplication of information such as statements explaining how SL relates to the entity’s mission or its SL policies and procedures should be avoided and should remain as Basic (note disclosure) during the transitional period.

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 statutory disposal authority requirements specific to the land in question.^{17.1} 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,
- 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:

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

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 discloses information about stewardship land and land rights, but no asset dollar amounts should be shown. Such information shall be presented as RSI for fiscal years 2021 through 2023 and transition to basic in fiscal year 2024. However, there should not be a reference on the balance sheet to the information required by this standard while it is reported as RSI. Existing disclosures FN3 should continue during the transition period until fiscal year 2024 when the RSI information transitions to basic. The ~~information~~ note disclosure related to stewardship land should provide the following:

- a. A concise statement explaining how stewardship land ~~it~~ relates to the mission of the Federal Government.
- b. A description of the estimated acres of land by sub-category predicated on the predominant uses and estimated acres of land held for disposal or exchange by ~~of the stewardship land of the Federal Government.~~
- c. 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.~~
- d. If General PP&E land and stewardship land are presented in separate notes to the financial statements, include cross-references between the notes.

FN 3 - Existing disclosures are those which are in effect for reporting entities prior to the amendments contained at Paragraph 40. They are those disclosures required by Paragraph 40, entitled "Disclosures and Required Supplementary Information" that are being rescinded (40.a through 40.d 3) effective fiscal year 2024. To the extent practical, duplication of information such as statements explaining how SL relates to the entity's mission or its SL policies and procedures should be avoided and should remain as Basic (note disclosure) during the transitional period.

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~~ broad description of PP&E;
 - b. For general PP&E land
 - A note on the balance sheet that discloses information^{FN1} 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 by sub-category predicated on the predominant uses and estimated acres of land held for disposal or exchange by the Federal government

o Such information shall be presented as RSI for fiscal years 2021 through 2023 and transition to basic in fiscal year 2024. However, there should not be a reference on the balance sheet to the information required by this standard while it is reported as RSI. Asset dollar amounts for G-PP&E land and permanent land rights should remain on the balance sheet along with existing disclosures FN2 until fiscal year 2024 when the RSI 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. e. a A general reference to agency component entity reports for additional information about general PP&E and general PP&E land-

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

FN1 – 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.

FN 2 - Existing disclosures are those which are in effect for reporting entities prior to the amendments contained at Paragraph 45A. They include disclosures required by Paragraph 40h for those entities electing an alternative method for land and land rights and if applicable, the minimum G-PP&E disclosure requirements as required by Paragraph 45.

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.⁵¹ 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.⁵² Correspondingly, no revenue is recognized for such donations.

- d. Paragraph 296 and footnote 62 discuss sales of [property, plant, and equipment \(PP&E\)](#). 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.⁶²

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 (~~for~~ [e.g.](#), [general PP&E land and](#) stewardship PP&E) may be transferred from one Government

Comment [DS9]: As per P. McNamee 21 June email.

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.⁸¹ 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

13. Paragraphs 13, 15(d), and 15(e) are amended to ensure that deferred maintenance and repair (DM&R) 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

14. The requirements of this Statement are effective as RSI for reporting periods beginning after September 30, 2020 except that there should not be a reference on the balance sheet to the information required by this standard while it is reported as RSI. However, the current balance sheet references and disclosures currently required by SFFAS 6, Accounting for Property, Plant, and Equipment (paragraph 45) and SFFAS 29, Heritage Assets and Stewardship Land (paragraph 40) for stewardship land should continue until the information required by this Statement transition to basic information in fiscal year 2024. 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

Comment [DS10]: As per Mr. Dacey's email dated 26 June 19 – Adopting Mr. Dacey's concern regarding RSI references on the balance sheet.

Staff: Adopting Mr. Dacey's SFFAS 29 suggested edit and also applying it to SFFAS 6..

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.

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.

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. The authoritative sections of the Statements are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

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*⁵; 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 concerns~~ brought to the Board's attention included the following:

a. ~~There is limited value of historical/acquisition cost information for capitalized land, given that such information may lose relevance over time due to general inflation, general land appreciation, and environmental harm.~~

a-b. ~~There is inconsistent reporting of G-PP&E land arising from differences in how opening balances are valued, as permitted by SFFAS 50. That is, reporting entities may exclusion of exclude land and land rights from opening balances.~~

b-c. ~~There is incomplete reporting on land where neither the total cost of land nor the total physical quantity of land is consistently reported.~~

e-d. ~~Concerns that some information that is currently reported is inconsistent with FASAB's reporting objectives and qualitative characteristics. That is, physical unit information is not contributing to either the operating performance or stewardship objectives.~~

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~~

Comment [DS11]: As per M. Granof email dated 11 June.

Comment [DS12]: Treasury and OMB combined edit.

Staff: Concur with slight modification.

Comment [DS13]: As per M. Granof email dated 11 June.

Comment [DS14]: OMB - Is there anything more specific we could say here?

Staff: See added language.

Comment [DS15]: Per M. Granof email dated 11 June. Consider moving this to the top of the list as it is probably the most important

⁵ SFFAS 7 requires that donations made to the government by a nonfederal entity, to include nonfinancial resources such as land or buildings, should be recognized (for those inflows of resources which that meet recognition criteria for assets) and measured at the estimated fair value of the contribution.

e. ~~There are inconsistencies between reporting of SL and G-PP&E land. Whether stewardship land and G-PP&E land should follow a consistent accounting and reporting approach~~

Comment [DS16]: Per M. Granof email dated 11 June. Consider revising so that structure is parallel to other items

Staff: Concur. See suggested edit.

A2. SFFAS 6 requires that land and land rights acquired for or in connection with other ~~general G-~~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 G-~~PP&E" is defined as land acquired with the intent to construct ~~general G-~~PP&E, ~~and it also includes~~ 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 G-~~PP&E's common grounds.

A3. ~~In~~ By contrast, SFFAS 29 defines "stewardship land" as land (including land rights) other than land acquired for or in connection with other ~~general G-~~PP&E. It requires disclosures regarding policies for land management, categories of land, and physical ~~quantity-unit~~ information.

Comment [DS17]: As per M. Granof email dated 11 June. In contrast" and "by contrast" mean the same thing: the act of comparing in order to show differences. The difference lies in the way the words are used. "In contrast" is usually followed by "to" or "with" and requires a noun to follow it. "By contrast" is usually followed or preceded by the subject of the sentence.

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 entities to apply alternative methods in establishing opening balances for ~~general property, plant, and equipment (G-~~PP&E). Concerning land, the alternative methods include using deemed cost to establish opening balances of ~~general G-~~PP&E land and land rights or excluding them from opening balances with disclosure of acres of land and expensing of future acquisitions.

Comment [DS18]: 29 July Cold Reader 1 - Confusing to include. Suggest just keeping at the main point if possible.

A5. The above requirements result in significant differences in accounting treatment for land holdings. ~~For example, land acquired during the nation's formation is sometimes used in connection with other general PP&E, but it may not have identifiable acquisition costs and is not be valued at all or not be valued in a way that is similar to G-PP&E land and land rights acquired for similar purposes. 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. The result is disparate treatment of G-PP&E land, and as noted previously, SL is expensed when acquired, not capitalized. 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.~~

Comment [DS19]: Treasury rewrite of this paragraph.

Staff: Concur with slight modification.

A6. ~~To the extent practical, members requested that future guidance consistently treat all federal land the same regardless of its G-PP&E land or SL distinction. 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-

Comment [DS20]: 29 July Cold Readers 1 and 2 - . CR#1 Perhaps add something about enhancing consistency?
CR#2 - As written by OMB this sounds confusing. Aren't we trying to simply say that all land needs to have consistent guidance?

Staff: I modified the OMB wording as shown.

Comment [DS21]: OMB edits.

Staff: Concur. However, please not Cold Reviewer comments above and staff modifications..

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 enhancing~~ the consistency⁶ among existing accounting standards, ~~entity-to-entity comparability~~, and relevance of information regarding land, ~~a land~~~~the Board established a~~ task force ~~was created~~ consisting of representation from federal agencies, the commercial sector, and citizens.⁷ 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, ~~among federal report preparers and users~~, there is significant interest in how agencies manage land on behalf of the public and how this information is communicated ~~to in~~ financial statements ~~users~~.

Comment [DS22]: As per M. Granof email dated 11 June. Various edits to paragraph.

Staff: Concur with slight modification.

Comment [DS23]: 29 July – CR#1.

A8. Due to the divergent views among task force participants, principally ~~amongbetween~~ 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 (~~DoE~~), and the Department of the Interior (~~DoI~~). Notably, retaining the current land categorizations of SL and G-PP&E land was the one area in which preparers and users unanimously agreed.

Comment [DS24]: 29 July – CR#1 - Acronyms were not re-used, so OK to delete I think.

Development of the Exposure Draft (ED) Incorporation of Conceptual Framework

A9. ~~The Board considered its conceptual framework and the divergent task force views in developing its proposal for reporting on land. The Board considered financial and non-financial information (NFI) was considered. The options were considered in light of the reporting objectives, qualitative characteristics, cost-benefit considerations, and presentation formats (-basic or required supplementary information [(RSI)]). 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).~~

Comment [DS25]: Staff edit. 10 July. See Board memo for rationale.

Comment [DS26]: 29 July – CR#1 - Paragraph A9 is rather long. You might want to continue numbering the sub-paragraphs therein with A10, A11, and A12.

Staff: I concur and plan on doing so for the pre-ballot version.

Comment [DS27]: OMB rewrite of this Introduction.

Staff: Concur.

It is important to note that a major consideration throughout the Board's deliberations was the guidance ~~provided at in~~ *Statement of Federal Financial Accounting Concepts (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

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⁶ 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.

⁷ Please refer to Appendix E for the identification of Task Force participants.

its amount is not material. Unrecognized elements are candidates for disclosure in the notes to financial statements or as supplementary information.”

~~Members agreed with those in the financial reporting community who noted the importance of having consistent accounting standards and agreed that the lack of relevant, reliable, and consistent historical cost information and the inconsistent measurement approaches across agencies were problematic. To address this, the Board decided to remove such amounts from the balance sheet, expense future acquisitions of land and permanent land rights, and require NFI (acreage number of acres) disclosures. There is precedent for the use of NFI for federal reporting of land. A task force analysis noted that approximately 97.0% (or 603.7 million acres) of all land managed by the federal government is SL, which, under SFFAS 29, *Heritage Assets and Stewardship Land*, is reported as NFI. 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 this is, land which that would have otherwise been classified as SL stewardship land and been subject to the SFFAS 29 requirements; that is, for non-recognition and disclosure as use of NFI.~~

Due to concerns that the ~~S~~stewardship and ~~O~~perating ~~P~~erformance reporting objectives and qualitative characteristics, such as relevance and comparability, were not being met, ~~t~~he 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 ~~stewardship~~⁸ or entity operating performance primarily due to the static nature of the reported dollars (that is, not accounting for inflation or changes in value)⁹ ~~(SFFAC 1, par. 122-133) or stewardship (SFFAC 1, par. 134-145), or (2) In addition, historical cost of land and permanent land rights is not relevant for decision makers (SFFAC 1, par. 161), (SFFAC 7, par. 7).~~¹⁰
 - 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 ~~certain~~^{most} agencies, such information is not reliable at the government-wide level because historical cost records are incomplete or in some cases non-existent ~~at~~ other agencies.

⁸ SFFAC 1, par. 134-145

⁹ SFFAC 1, par. 122-133.

¹⁰ SFFAC 1, par. 161), (SFFAC 7, par. 7.

Comment [DS28]: OMB rewrite of this paragraph.

Staff: Concur with slight modification.

Comment [DS29]: As per M. Granof email dated 11 June.

Comment [DS30]: As per P. McNamee email dated 21 June. We also need to introduce ideas from SFFAC 7 regarding measurement attributes.

Staff: Concur. Mr. McNamee and staff would like to propose that:

- 1. SFFAC 7 Measurement Attribute language be inserted as a new ii paragraph at A9a.

Comment [DS31]: Treasury - If the information is unreliable at the government-wide level, and the government-wide totals are the compilation of agency records, then how can they be reliable at the agency level?

Staff: DoD, Energy and Interior basically skew results. See suggested edits.

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ii. Increasing the usefulness and relevance of information can be achieved through the selective use of a measurement attribute (bases) that best reflects the measurable characteristic of an asset or liability. Measurement attributes which that are commonly used include: fair value, settlement amount, replacement cost, value in use, and fulfillment cost. Nevertheless, additional measurement attributes, such as those which that are non-financial in nature, can be used to best reflect an element's characteristics. To that end, during deliberations of SFFAS 29⁴⁴ and SFFAS 50⁴², the Board concluded that regarding land, NFI (in this case acreage) number of acres best reflects and communicates land's measurable characteristic increasing relevance and information usefulness.

Comment [DS32]: 29 July CR#2

Comment [DS33]: 29 July – CR#1 – add that NFI (acreage) is useful and relevant to users.

b. Prior analyses of user needs, and as confirmed by the land task force, revealed that financial statements were of limited value to users inasmuch as the users would often need to branch off into other venues to obtain additional information from other sources to place the information provided in for context and to increased their understanding of it.¹³ (SFFAC 1, par. 158-159)

Comment [DS34]: As per M. Granof email dated 11 June. Various edits to paragraph.
Staff: Concur with slight modifications.

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 reporting was not cost-beneficial given the vast holdings of land. This is primarily due to the impracticalities associated with valuing land, absent conditions such as having demographically comparable sales, active markets or willing buyers, and estimating estimations of the environmental liabilities associated with certain land holdings.¹⁴ (SFFAC 2, par. 73E.g. and SFFAC 5, par. 7)

Comment [DS35]: As per M. Granof email dated 11 June.

i. Citizen users on the task force and some respondents noted the benefit of fair value estimates on of 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 users 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 The Board concluded, instead, that acreage

Comment [DS36]: Treasury edit.

Comment [DS37]: As per M. Granof email dated 11 June.

⁴⁴ SFFAS 29, *Heritage Assets and Stewardship Land*.

⁴² 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*.

¹³ SFFAC 1, par. 158-159.

¹⁴ SFFAC 2, par. 73E.g. and SFFAC 5, par. 7.

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information number of acres 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).¹⁵ (~~SFFAC 1, par 156, SFFAC 2, par 73E.e., and SFFAC 4, par. 9~~)
 - i. The Board realizes that some respondents believe the use of NFI, such as acreage number of acres, 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 Statement* are subject to a phased implementation schedule to enable the Board to evaluate implementation and identify and address any issues as they may arise.
 - ii. As discussed above in paragraph A9a ii, by moving all land to the acreage measurement attribute of acres, the Board concludes that financial statement reporting will better achieve the qualitative characteristics of consistency and comparability. Additionally, moving away from the current mixed measurement attribute model to a uniform acreage model further increases the qualitative characteristic of understandability. Finally, advances in geospatial technology in measuring acres, facilitates achievement of the qualitative characteristic of reliability. The Board concludes that such advancements, assisted by an RSI transition period, will facilitate development of reliable acreage information suitable for presentation as basic information.
- e. The ~~non financial information~~ NFI 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.¹⁶ (~~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 -

Comment [DS38]: As per P. McNamee email dated 21 June. We also need to introduce ideas SFFAC 4 concerning qualitative characteristics.

Staff: Concur. Mr. McNamee and staff would like to propose that:

1. SFFAC 4 Qualitative Characteristics language be inserted as a new ii paragraph at A9d.

NOTE: Staff added SFFAC 1 as the conceptual basis for the qualitative characteristics. SFFAC 4 applies them to the CFR.

Comment [DS39]: 29 July – CR#1 – delete the full title.

¹⁵ SFFAC 1, par 156, SFFAC 2, par. 73E.e., and SFFAC 4, par. 9

¹⁶ SFFAC 2, par. 73E

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benefit constraints applicable to the financial information in question.¹⁷ (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 acreage disclosures of acres would best meet the reporting objectives and qualitative characteristics in a cost beneficial manner.
- g. In conclusion, the Board ~~opines~~ ~~concludes~~ that the vast holdings and uses of federal land cannot adequately be conveyed to the public by any one 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~~ climate 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~~ concluded that, consistent with its conceptual framework, the use of NFI (acreage reporting of acres) increases transparency while either avoiding or at least significantly minimizing burden and costs that would otherwise be borne if ~~other reliable and relevant~~ valuation methods were used to recognize land on the balance sheet.

Comment [DS40]: As per S. Showalter email dated 12 June.

Comment [DS41]: 29 July – CR#1

Comment [DS42]: 29 July – CR#1

Comment [DS43]: 29 July – CR#1

Summary of Outreach Efforts and Responses

- A10. The exposure draft (ED) was issued April 30th, 2018, with comments requested by July 30th, 2018. Upon release of the ED 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 ED exposure drafts in the past.
- A11. This broad announcement was followed by electronic mailings of the ED exposure draft to the following relevant congressional committees: Senate Energy and Natural Resources and House Natural Resources.
- A12. FASAB received a total of 168 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.

¹⁷ SFFAC 5, par. 8

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Summary of Respondent Types to Exposure Draft

RESPONDENT TYPE	FEDERAL (Internal)	NON-FEDERAL (External)	TOTAL
Preparers and financial managers	13	-0-	13
Users, academics, others	-0-	3	3
Auditors	1	1	2
Total	14	4	18

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 and clarified their comments on October 24th, 2018, and five subject matter experts agreed to share their views on October 25th, 2018, on a variety of matters related to the Land ED.~~

Comment [DS44]: As per G. Scott email dated 23 June. Specify dates.

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, r~~ Respondents agreeing with the Board's proposal to reclassify G-PP&E Land and permanent land rights noted that: (1) ~~the~~ geographic information system (GIS) can be readily adopted to comply with the ~~acreage~~ reporting requirements ~~for~~ acres 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.

Comment [DS45]: 29 July – CR#1

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 that~~ 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 by~~ over-emphasizing one

Comment [DS46]: As per M. Granof email dated 11 June. Various edits to paragraph.
Staff: Concur.

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 a 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/necessitate additional implementation 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 that will not allow them to satisfactorily support reporting and audit initiatives.

Comment [DS47]: 29 July – CR#1

A17. Subject matter experts provided their views and perspectives to the proposed Land ED and their are summarized as individual points follows:

Comments opposing the ED include the following: Data collection should be commensurate with user needs and in this case, the cost of aggregating land information given the de-centralized manner in which it is stored may be cost prohibitive. Using the existing Public Land Statistics report for financial reporting purposes, as contemplated by the ED, would require a potentially cost-prohibitive investment of additional resources; the Public Land Statistics are designed for the general public, not financial reporting purposes. SFFAS 50 provides sufficient reporting flexibilities making the ED unnecessary. Because land benefits future periods, it should remain on the balance sheet; excluding it will understate the financial position. It is unclear how this proposal would improve financial management, which is the intent behind the CFO Act and the Federal Financial Management Improvement Act.

Comment [DS48]: OMB rewrite of this paragraph.

Staff: Concur.

Comments that were neither in support of nor opposed to the ED include the following: Physical unit information, such as acreage/acres, needs context to be useful. Interior bureaus are working to improve the Protected Area Database of the United States and the Surface Management Area data. Agencies should be allowed flexibility to explain their unique missions and land responsibilities. Without clearer materiality guidance, acreage/acres or other NFI may be more suitable for RSI. Consideration should be given to presentation formats other than disclosures and the use of agreed upon procedures, rather than audits, should be considered for land information. The preparer transition period should not be underestimated; it could take multiple years for auditors to gain comfort. Performance information, which is not contemplated by the ED, when combined with cost information would allow an assessment of effectiveness and efficiency and would be valuable to users.

Comment [DS49]: OMB rewrite of this paragraph.

Staff: Concur.

Cost versus benefit (Preparer Burden)

~~The cost of aggregating land information given the de-centralized manner in which such information is stored may be cost prohibitive.~~

~~Data collection should be commensurate with user needs.~~

Comment [MRV50]: Dom – I was wondering why you did not use the numbers to separate the comments in A17. like you did in A15 and A16?

Monica, I lifted the language just as OMB submitted it. We can always adjust this on the pre-ballot version.

Comment [DS51]: OMB rewrite of this paragraph.

Staff: Concur with deletions.

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.

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

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.

Excluding Land from the Balance Sheet understates the financial position of the government.

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.

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

Proposed Disclosures

Congress seeks information for a variety of purposes.

Physical unit information to include acres is not very informative to users without context.

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

Agencies should be allowed enough flexibility to tell their story and be creative.

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).

Consideration should be given to presentation formats other than disclosures and the use of agreed upon procedures to help increase reliability.

Given actual experiences, the preparer transition period should not be underestimated and it can take multiple years or cycles for auditors to gain comfort.

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.

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 ~~if deemed necessary should the issues with preparation and auditability of the information not be resolved by the transition date~~, and (3) not ~~allow for permit~~ early implementation.

Comment [DS52]: 29 July – CR#1

Comment [DS53]: 29 July – CR#1

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 ~~RSI 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 only on~~ NFI may not be appropriate unless there is some financial information to which NFI relates.

Comment [DS54]: As per M. Granof email dated 11 June.

- 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~~ acre) 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~~ ~~acreage~~ number of acres is best suited in meeting user needs.

Comment [DS55]: 29 July CR#2.

- A22. Moreover, to increase the confidence in the reliability of the ~~NFI acreage reporting over land of~~ acres, 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 acreage~~ acres 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.

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

- A23. 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 G-PP&E**, (2) heritage assets, and (3) **stewardship land SL**. 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.

Land Valuation

~~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 apportion among the sub-categories and (2) the three sub-category definitions appear after the proposed definition of A acres of Land Hheld 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 SFFAS Financial Accounting Standards

Comment [DS56]: Staff edit. 11 July. See Board memo for rationale.

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Comment [DS57]: 29 July – CR#1
This is repeated below under the retaining PP&E categories header.

Comment [DS58]: As per M. Granof email dated 11 June. I'm not sure what is meant by pro-rate and how the next couple of paragraph relate to this.

Staff: Concur. See suggested edit.

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~~ apportion 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.

Comment [DS59]: As per M. Granof email dated 11 June. I'm not sure what is meant by pro-rate and how the next couple of paragraph relate to this.

Staff: Concur. See suggested edit

A27. Regarding ~~A~~ acres of ~~L~~land ~~H~~held for ~~D~~disposal or ~~E~~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 Statement~~'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.

Developing Uniform Land Disclosure Requirements

A28. 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 ~~and exacerbates the existing cost burden~~. However, some respondents also believed that increases to preparer burden and audit efforts after initial implementation would be ~~non-recurring temporary~~. ~~Also, in addition to revising~~ In response to the Board's proposed implementation timeline, more fully discussed below, GAO and OMB expect to coordinate efforts ~~regarding and work towards developing~~ auditor guidance ~~as appropriate~~.

Comment [DS60]: OMB edits to this paragraph.

Staff: Concur with slight modifications.

A29. 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 have~~ been primarily taken from existing requirements contained in SFFAS 29 (for example,

Comment [DS61]: As per P. McNamee 21 June email.

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 ~~to report acres~~ by only requiring the beginning and ending balances be presented, ~~and~~
- v. Clarifying that "~~a~~ 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. 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~~ clarified that "~~A~~ 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.

Comment [DS62]: 29 July CR#1

Land Rights

- A31. ~~In SFFAS 6, Accounting for Property, Plant, and Equipment (PP&E) the Board provided for the recognition of land rights based on the expected service life of the land rights. Specifically, where land rights are for a limited or finite period of time (that is, temporary), the Board provided for amortization/depreciation of the cost to acquire and maintain such rights and for those land rights considered permanent, they are capitalized along with land. SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35 provided alternative methods for establishing opening balances. Specifically, paragraph 13 (which amended paragraph 40 of SFFAS 6) provides~~

Comment [DS63]: 29 July CR#1 - delete SFFAS titles as they have been previously spelled out.

reporting entities that met the SFFAS 50 criteria to apply the option to either (1) exclude both land and (all) land rights from the opening balance of G-PP&E or (2) recognize land and land rights in opening balances based on the provisions of the alternative valuation method (deemed cost).

- A32. In its ED, the Board proposed to treat land rights with an unlimited or infinite period of time (that is, permanent) consistent with the proposed requirements regarding land acquisitions (that is, expensing) and to continue treating those temporary land rights consistent with SFFAS 6. During re-deliberations and considering respondent comments specific to land rights, the Board reconsidered its proposed amendment allowing entities electing to exclude land and land rights (from the opening balance of G- PP&E pursuant to SFFAS 50) to expense future acquisitions of temporary land rights. -As a result, the Board concluded that those entities electing to exclude land and land rights from their opening balances should capitalize and depreciate/amortize temporary land rights prospectively. The Board believes that this aforementioned requirement increases comparability and consistency by providing a uniform accounting practice relative to all land rights. Furthermore, the Board notes that, unlike permanent land rights, temporary land rights are limited in duration and have a definite useful service life or economic life. As such, the Board believes that accrual based financial statements benefit by the allocation of costs between accounting periods.

Requests for Exceptions to De-recognition

- A33. Several respondents noted particular circumstances or cases (for example, rate-setting entities) that would require them to continue capitalizing G-PP&E land and permanent land rights. Others This also noted 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. Furthermore, and this forthcoming standard Statement would not necessarily have to apply to the journal 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 done without affecting financial reporting while also being accompanied by supplemental disclosures. -Concerning inseparable land costs, the Board believes 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 reasonable estimates can be made to identify infrastructure costs apart from land costs in order ensure appropriate accounting and reporting. For example, estimates can be derived from (1) public land records such as property tax assessments or ownership documents, (2) comparable market analyses or appraisals, and (3) comparable or similar recorded real property holdings or investments.

Comment [DS64]: As per June 2019 meeting. This paragraph was specifically cited for an editorial review.

Comment [DS65]: 29 July CR#1

Comment [DS66]: 29 July CR#1 - This seems vague and I think entities will have trouble with grasping it.

Staff: Please see the re-write concerning reasonable estimates.

Application of this Statement

~~A34.—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

~~A35-A34. In providing the note disclosure information required for G-PP&E land and permanent land rights at SFFAS 6 paragraph 45A and Stewardship LandSL at SFFAS 29 paragraph 40, entities may combine the display and/or disclosure for G-PP&E land and permanent land rights and stewardship landSL. 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 has been retained.~~

~~Disclosure requirements for the consolidated Financial Report of the U.S. Government 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 G-PP&E land and permanent land rights and SL and permanent land rights stewardship land. In such cases and to the extent possible, direct references to agency reports for additional category information about G-PP&E land and permanent land rights and stewardship landSL and permanent land rights should be made.~~

Comment [DS67]: As per M. Granof email dated 11 June. Change to singular.

Comment [DS68]: 29 July CR#1

Supporting Documentation

~~A36-A35. The Board has continually noted the concerns associated with providing corroborating documentation on historical assets including land. In the Bbasis for~~

Conclusions to SFFAS 29 (par. 86-88), the Board briefly discussed 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.

Comment [DS69]: 29 July CR#2

A37-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.

Application of this Statement

A37. 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:

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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 and briefly describe the effect on beginning net position.

Implementation and Effective Date

- A38. 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 **FYfiscal year** 2021 as RSI and transition to Basic information with removal of G-PP&E land and permanent land rights from the balance sheet in **FYfiscal year** 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 of acres 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

- A39. This Statement was approved unanimously. Written ballots are available for public inspection at FASAB's offices.

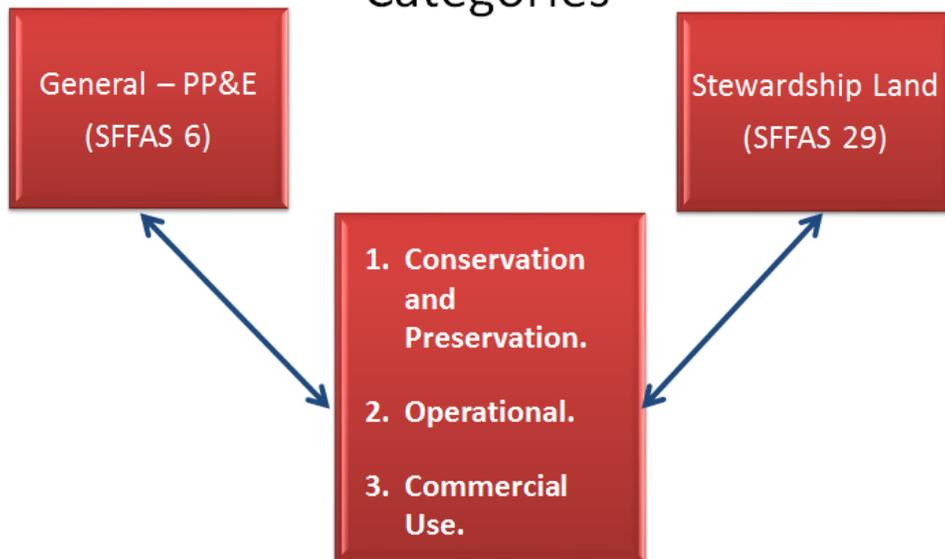
APPENDIX B: ILLUSTRATIONS

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.

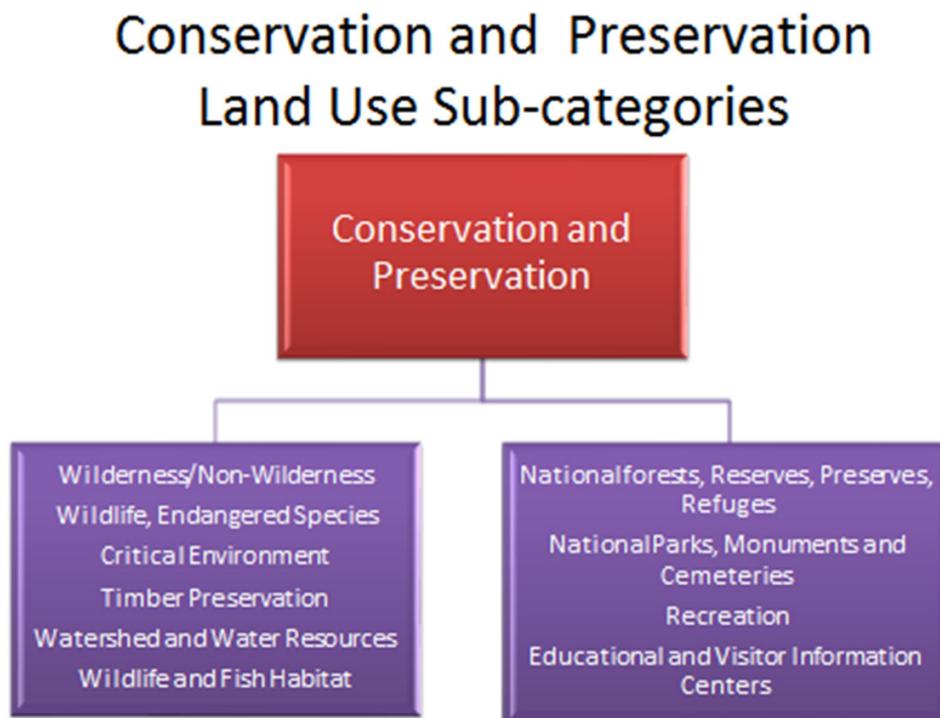
The Board has noted the potential need to have additional sub-categories predicated on predominant land-use to complement the land categories currently in use: SL and G-PP&E land. Illustrations demonstrating how the Board envisions the sub-categories complementing the existing requirements follow:

Complementing Existing Land Categories



Conservation and Preservation Land Use Sub-categories

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



Operational Land Use Sub-categories

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

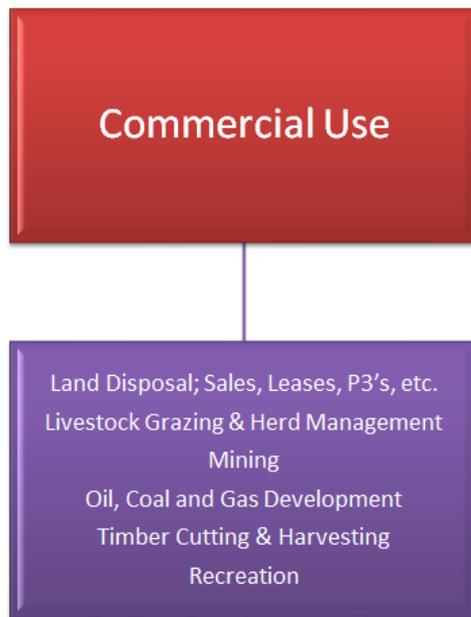
Operational Land Use Sub-categories



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)

<u>Entity</u>	<u>Categorized by Purpose or Intent at Acquisition</u>	<u>Sub-categorized by Predominant Use</u>			<u>Total Land Acres</u>	<u>Explanatory Comments</u>
	<u>General PP&E Land Acres</u>	<u>Conservation and Preservation</u>	<u>Operational</u>	<u>Commercial Use</u>		
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)

Entity	Categorized by Purpose or Intent at Acquisition	Sub-categorized by Predominant Use			Total Land Acres	Explanatory Comments
	Stewardship Land Acres	Conservation and Preservation	Operational	Commercial Use		
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)¹⁸

Entity	Categorized by Purpose or Intent at Acquisition			Sub-categorized by Predominant Use				Explanatory Comments
	Stewardship Land Acres	General PP&E Land Acres	Total Land Acres	Conservation and Preservation	Operational	Commercial Use	Total Land Acres	
Department A	234,889,617	12,362,611	247,252,228	223,145,136	12,362,611	11,744,481	247,252,228	1
Department B	183,285,805	9,646,621	192,932,426	176,721,515	7,046,621	9,164,290	192,932,426	2
Agency 1	84,626,746	4,454,039	89,080,785	84,626,746	4,454,039	0	89,080,785	3
Agency 2	75,666,349	3,982,439	79,648,788	37,833,174	3,982,440	37,833,174	79,648,788	4
Bureau 1	5,871,628	8,528,076	14,399,704	5,871,628	6,396,057	2,132,019	14,399,704	5
Total	584,340,145	38,973,786	623,313,931	528,198,199	34,241,768	60,873,964	623,313,931	

Explanatory Comments

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

¹⁸ 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

BIA	Bureau of Indian Affairs
<u>CIGIE</u>	<u>Council of the Inspectors General on Integrity and Efficiency</u>
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 statutory disposal authority requirements specific to the land in question.²⁵ 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^{28.1} acquired for or in connection with other general PP&E²⁹ 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^{29.1} 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^{14.1} and acquired land and land rights¹⁵ owned by the Federal Government intended to be held indefinitely. ~~but not acquired for or in connection with¹⁶ items of general PP&E.~~ Examples of stewardship land include land reserved, managed, planned, used, or acquired for¹⁶ 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.

Comment [DS70]: As per P. McNamee 21 June email.

APPENDIX E: TASK FORCE MEMBERS

Task Force Member Agencies

Air National Guard, 113th 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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Gila J. Bronner

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ATTACHMENT 2

Current Structure and Language: RSI Transition and Effective Date

SFFAS 6, G-PP&E Additional edits to Paragraph 45A	SFFAS 29, SL Additional edits to Paragraph 40 - Components	SFFAS 29, SL Additional edits to Paragraph 42 - Government-wide	SFFAS 32, G-PP&E Additional edits to Paragraph 23b - Government-wide
<p>Par. 5 (SFFAS 6, par. 45A).</p> <p>45A. <u>Effective fiscal year 2024, entities</u> with G-PP&E land and permanent land rights should reference a note on the balance sheet that discloses information listed below in sub-paragraphs a through f 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 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 <u>along with existing disclosures</u>^{FN1} until fiscal year 2024 when the <u>RSI</u> information transitions to basic. However, there should not be a reference on the balance sheet to the information required by this standard while it is reported as RSI. The following information should be provided regarding G-PP&E land and permanent land</p>	<p>Par. 8 (SFFAS 29, par. 40).</p> <p>40. Entities with stewardship land should reference a note²¹ on the balance sheet that discloses information about stewardship land, but no asset dollar amount should be shown. Such information shall be presented as RSI for fiscal years 2021 through 2023 and transition to basic in fiscal year 2024. <u>However, there should not be a reference on the balance sheet to the information required by this standard while it is reported as RSI. Existing disclosures</u>^{FN2} <u>should continue during the transition period until fiscal year 2024 when the RSI information transitions to basic.</u> The note disclosure related to stewardship land should provide the following:</p> <p>a. A concise statement.....</p> <p>b. A brief description...</p>	<p>Par. 10 (SFFAS 29, par. 42).</p> <p>42. The U.S. Government-wide financial statement should reference a note on the balance sheet that discloses information about stewardship land and land rights, but no asset dollar amounts should be shown. Such information shall be presented as RSI for fiscal years 2021 through 2023 and transition to basic in fiscal year 2024. <u>However, there should not be a reference on the balance sheet to the information required by this standard while it is reported as RSI. Existing disclosures</u>^{FN3} <u>should continue during the transition period until fiscal year 2024 when the RSI information transitions to basic.</u> The note disclosure related to stewardship land should provide the following:</p> <p>a. A concise statement....</p>	<p>Par. 11 (SFFAS 32, par. 23b).</p> <p>23. The U.S. government-wide financial statements should include the following disclosures:</p> <p>a. A broad description of PP&E,</p> <p>b. For general PP&E land</p> <ul style="list-style-type: none"> • A note on the balance sheet that discloses information^{FN} about general PP&E land and permanent land rights, but no asset dollar amounts which includes: <ul style="list-style-type: none"> ○ A concise statement explaining how general PP&E land relates to the mission of the Federal government ○ A description of estimated acres 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. <u>However, there should not be a reference on the balance sheet to the information required by this standard while it is reported as RSI.</u> Asset dollar amounts for G-PP&E land and permanent land rights

ATTACHMENT 2

Current Structure and Language: RSI Transition and Effective Date

<p>SFFAS 6, G-PP&E Additional edits to Paragraph 45A</p>	<p>SFFAS 29, SL Additional edits to Paragraph 40 - Components</p>	<p>SFFAS 29, SL Additional edits to Paragraph 42 - Government-wide</p>	<p>SFFAS 32, G-PP&E Additional edits to Paragraph 23b - Government-wide</p>
<p>rights:</p> <ul style="list-style-type: none"> a. A concise statement..... b. A brief description... c. Land and permanent land...: d. If applicable... e. Land rights information... f. If General PP&E land... <hr style="border-top: 1px dashed black;"/> <p style="text-align: center;">Effective Date</p> <p>14. The requirements of this Statement are effective as RSI for reporting periods beginning after September 30, 2020 except that there should not be a reference on the balance sheet to the information required by this standard while it is reported as RSI. However, the current balance sheet references and disclosures currently required by SFFAS 6, Accounting for Property, Plant, and Equipment (paragraph 45) and SFFAS 29, Heritage Assets and Stewardship Land (paragraph 40) for stewardship land should continue until the information</p>	<ul style="list-style-type: none"> c. Land and permanent land...: d. If applicable... e. Land rights information... f. If Stewardship land... 	<ul style="list-style-type: none"> b. A description of... c. A general reference... d. If General PP&E land... 	<p>should remain on the balance sheet <u>along with existing disclosures</u>^{FN4} until fiscal year 2024 when the <u>RSI</u> information transitions to basic</p>

ATTACHMENT 2

Current Structure and Language: RSI Transition and Effective Date

SFFAS 6, G-PP&E Additional edits to Paragraph 45A	SFFAS 29, SL Additional edits to Paragraph 40 - Components	SFFAS 29, SL Additional edits to Paragraph 42 - Government-wide	SFFAS 32, G-PP&E Additional edits to Paragraph 23b - Government-wide
<p>required by this Statement transition to basic information in fiscal year 2024. Early adoption is not permitted.</p> <p>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.</p>			

ATTACHMENT 2

Alternative Structure and Language: RSI Transition and Effective Date

<p>SFFAS 6, G-PP&E Rewrite of Paragraph 45A Adding a new Paragraph 45B Clarifying SFFAS Effective Date Par. 14 & 15</p>	<p>SFFAS 29, SL Rewrite of Paragraph 40 - Components Adding a new Paragraph 40A Clarifying SFFAS Effective Date Par. 14 & 15</p>	<p>SFFAS 29, SL Rewrite of Paragraph 42 - Government-wide Adding a new Paragraph 42A</p>	<p>SFFAS 32, G-PP&E Rewrite of Paragraph 23 subparagraph b - Government-wide Adding a new Paragraph 23B</p>
<p>Par. 5 (SFFAS 6, par. 45A).</p> <p>45A The following disclosures should be provided regarding G-PP&E land and permanent land rights:</p> <ul style="list-style-type: none"> a. A concise statement..... b. A brief description... c. Land and permanent land...: d. If applicable... e. Land rights information... <p>45B. G-PP&E land and permanent land rights should reference a note on the balance sheet that discloses information above in Paragraph 45A (a through e) but no asset dollar amount should be shown. Existing disclosures FN1 should continue during the transition period until fiscal year</p>	<p>Par. 8 (SFFAS 29, par. 40).</p> <p>40. The following disclosures should be provided regarding stewardship land and permanent land rights:</p> <ul style="list-style-type: none"> a. A concise statement..... b. A brief description... c. Land and permanent land...: d. If applicable... e. Land rights information... <p>40A. Stewardship land and permanent land rights should reference a note on the balance sheet that discloses information above in Paragraph 40 (a through e) but no asset dollar amount should be shown. Existing</p>	<p>Par. 10 (SFFAS 29, par. 42).</p> <p>42. The U.S. Government-wide financial statement should the following information:</p> <ul style="list-style-type: none"> a. A concise statement.... b. A description of... c. A general reference... <p>42A. The U.S. Government-wide financial statement balance sheet should reference a note that discloses the information about stewardship land and land rights required by paragraph 42, but no asset dollar amounts should be shown. Existing disclosures FN3 should continue during the transition period until fiscal year 2024 when the RSI information transitions to basic. If</p>	<p>Par. 11 (SFFAS 32, par. 23b).</p> <p>23. The U.S. government-wide financial statements should include the following disclosures:</p> <ul style="list-style-type: none"> a. A broad description of PP&E, b. For general PP&E land <ul style="list-style-type: none"> • A concise statement explaining how general PP&E land relates to the mission of the Federal government • A description of estimated acres by sub-category predicated on the predominant uses and estimated acres of land held for disposal or exchange by the Federal government <p>23B. The balance sheet should reference a note that discloses the information^{FN} about general PP&E land and permanent land rights required by paragraph 23, but no asset dollar amounts should be shown. Existing disclosures FN4 should continue during the transition period until fiscal year 2024 when the RSI information transitions to</p>

ATTACHMENT 2

Alternative Structure and Language: RSI Transition and Effective Date

<p>SFFAS 6, G-PP&E Rewrite of Paragraph 45A Adding a new Paragraph 45B Clarifying SFFAS Effective Date Par. 14 & 15</p>	<p>SFFAS 29, SL Rewrite of Paragraph 40 - Components Adding a new Paragraph 40A Clarifying SFFAS Effective Date Par. 14 & 15</p>	<p>SFFAS 29, SL Rewrite of Paragraph 42 - Government-wide Adding a new Paragraph 42A</p>	<p>SFFAS 32, G-PP&E Rewrite of Paragraph 23 subparagraph b - Government-wide Adding a new Paragraph 23B</p>
<p>2024 when the RSI information transitions to basic. If General PP&E land and stewardship land are presented in separate notes to the financial statements, include cross-references between the notes.</p> <hr/> <p style="text-align: center;">Effective Date</p> <p>Par 14. The requirements of this Statement are effective as RSI for reporting periods beginning after September 30, 2020. The information required at Paragraphs 5 (G-PP&E land) and 8 (Stewardship Land) 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 along with existing disclosures FN1 until fiscal year 2024 when the RSI</p>	<p>disclosures FN2 should continue during the transition period until fiscal year 2024 when the RSI information transitions to basic. If stewardship land and General PP&E land are presented in separate notes to the financial statements, include cross-references between the notes.</p> <hr/> <p style="text-align: center;">Effective Date</p> <p>Same as shown under SFFAS 6, G-PP&E.</p>	<p>stewardship land and general PP&E land are presented in separate notes to the financial statements, include cross-references between the notes.</p> <hr/> <p style="text-align: center;">Effective Date</p> <p>Same as shown under SFFAS 6, G-PP&E.</p>	<p>basic. If General PP&E land and stewardship land are presented in separate notes to the financial statements, include cross-references between the notes.</p> <hr/> <p style="text-align: center;">Effective Date</p> <p>Same as shown under SFFAS 6, G-PP&E.</p>

ATTACHMENT 2

Alternative Structure and Language: RSI Transition and Effective Date

<p>SFFAS 6, G-PP&E Rewrite of Paragraph 45A Adding a new Paragraph 45B Clarifying SFFAS Effective Date Par. 14 & 15</p>	<p>SFFAS 29, SL Rewrite of Paragraph 40 - Components Adding a new Paragraph 40A Clarifying SFFAS Effective Date Par. 14 & 15</p>	<p>SFFAS 29, SL Rewrite of Paragraph 42 - Government-wide Adding a new Paragraph 42A</p>	<p>SFFAS 32, G-PP&E Rewrite of Paragraph 23 subparagraph b - Government-wide Adding a new Paragraph 23B</p>
<p>information transitions to basic. Existing display and disclosure (balance sheet reference) FN2 for Stewardship land should continue until fiscal year 2024.</p> <p>Par 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.</p>			

ATTACHMENT 2

Alternative Structure and Language: RSI Transition and Effective Date

FN 1 – For G-PP&E land, existing disclosures are those which are in effect prior to the amendments contained herein in Paragraph 45A. They include disclosures required by Paragraph 40h for those entities electing an alternative method for land and land rights and if applicable, the minimum G-PP&E disclosure requirements as required by Paragraph 45.

FN2 - For Stewardship land, existing disclosures are those which are in effect prior to the amendments contained herein in Paragraph 40. They are those disclosures required by Paragraph 40, entitled “Disclosures and Required Supplementary Information” that are being rescinded (40.a through 40.d 3) effective fiscal year 2024. To the extent practical, duplication of information such as statements explaining how SL relates to the entity’s mission or its SL policies and procedures should be avoided and should remain as Basic (note disclosure) during the transitional period.

FN 3 - Existing disclosures are those which are in effect for reporting entities prior to the amendments contained at Paragraph 40. They are those disclosures required by Paragraph 40, entitled “Disclosures and Required Supplementary Information” that are being rescinded (40.a through 40.d 3) effective fiscal year 2024. To the extent practical, duplication of information such as statements explaining how SL relates to the entity’s mission or its SL policies and procedures should be avoided and should remain as Basic (note disclosure) during the transitional period.

FN 4 - Existing disclosures are those which are in effect for reporting entities prior to the amendments contained at Paragraph 45A. They include disclosures required by Paragraph 40h for those entities electing an alternative method for land and land rights and if applicable, the minimum G-PP&E disclosure requirements as required by Paragraph 45.

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*;¹ 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 concerns brought to the Board's attention included the following:
- a. There is limited value in historical/acquisition cost information for capitalized land, given that such information may lose relevance over time due to general inflation, general land appreciation, and environmental harm.
 - b. There is inconsistent reporting of G-PP&E land arising from differences in how opening balances are valued, as permitted by SFFAS 50. That is, reporting entities may exclude land and land rights from opening balances.
 - c. There is incomplete reporting on land where neither the total cost of land nor the total physical quantity of land is consistently reported.
 - d. Some information that is currently reported is inconsistent with FASAB's reporting objectives and qualitative characteristics. That is, physical unit information is not contributing to either the operating performance or stewardship objectives.
 - e. There are inconsistencies between reporting of SL and G-PP&E land.
- A2. SFFAS 6 requires that land and land rights acquired for or in connection with other G-PP&E be capitalized at the cost incurred to bring the assets to a form and condition suitable for use. "Acquired for or in connection with other G-PP&E" is defined as land acquired with the intent to construct G-PP&E. It also includes land acquired in combination with general PP&E, including not only land used as the foundation, but also adjacent land considered to be the G-PP&E's common grounds.

¹ SFFAS 7 requires that donations made to the government by a nonfederal entity, to include non-financial resources such as land or buildings, be recognized (for those inflows of resources that meet recognition criteria for assets) and measured at the estimated fair value of the contribution.

- A3. By contrast, SFFAS 29 defines “stewardship land” as land (including land rights) other than land acquired for or in connection with other G-PP&E. It requires disclosures regarding policies for land management, categories of land, and physical unit information.
- A4. Most recently, SFFAS 50 allowed reporting entities to apply alternative methods in establishing opening balances for G-PP&E. Concerning land, the alternative methods include using deemed cost to establish opening balances of G-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. For example, land acquired during the nation’s formation is sometimes used in connection with other general PP&E, but it may not have identifiable acquisition costs and not be valued at all or not be valued in a way that is similar to G-PP&E land and land rights acquired for similar purposes. 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. The result is disparate treatment of G-PP&E land. As noted previously, SL is expensed when acquired, not capitalized.
- A6. To the extent practical, members requested that future guidance consistently treat all federal land the same regardless of its G-PP&E land or SL distinction. 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 enhancing the consistency² among existing accounting standards, entity-to-entity comparability, and relevance of information regarding land, the Board established a task force consisting of representation from federal agencies, the commercial sector, and citizens.³ 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, among federal report preparers and users, there is significant interest in how agencies manage land on behalf of the public and how this information is communicated in financial statements.
- A8. Due to the divergent views among task force participants, principally between 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

² Criticism 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.

³ Please refer to Appendix E for the identification of task force participants.

discussions, initiated fact-finding meetings with three land-holding agencies: the Department of Defense, 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.

Development of the Exposure Draft (ED)

- A9. The Board considered its conceptual framework and the divergent task force views in developing its proposal for reporting on land. The Board considered financial and non-financial information (NFI). The options were considered in light of the reporting objectives, qualitative characteristics, cost-benefit considerations, and presentation formats (basic or required supplementary information [RSI]).

It is important to note that a major consideration throughout the Board's deliberations was the guidance in Statement of Federal Financial Accounting Concepts (SFFAC) 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*. Specifically, paragraph 9 states:

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.

Members agreed with those in the financial reporting community who noted the importance of having consistent accounting standards and agreed that the lack of relevant, reliable, and consistent historical cost information and the inconsistent measurement approaches across agencies were problematic. To address this, the Board decided to remove such amounts from the balance sheet, expense future acquisitions of land and permanent land rights, and require NFI (number of acres) disclosures. There is precedent for the use of NFI for federal reporting of land. A task force analysis noted that approximately 97.0% (or 603.7 million acres) of all land managed by the federal government is SL, which, under SFFAS 29, *Heritage Assets and Stewardship Land*, is reported as NFI. 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. This is land that would have otherwise been classified as SL and been subject to the SFFAS 29 requirements for non-recognition and disclosure as 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 useful to the majority of users for assessing stewardship⁴ or entity operating performance primarily due to the static nature of the reported dollars (that is, not accounting for inflation or

⁴ SFFAC 1, par. 134-145.

changes in value).⁵ In addition, historical cost of land and permanent land rights is not relevant for decision makers.⁶

- 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 certain agencies, such information is not reliable at the government-wide level because historical cost records are incomplete or in some cases non-existent at other agencies.
 - ii. Increasing the usefulness and relevance of information can be achieved through the selective use of a measurement attribute (bases) that best reflects the measurable characteristic of an asset or liability. Measurement attributes that are commonly used include: fair value, settlement amount, replacement cost, value in use, and fulfillment cost. Nevertheless, additional measurement attributes, such as those that are non-financial in nature, can be used to best reflect an element's characteristics. To that end, during deliberations of SFFAS 29 and SFFAS 50, the Board concluded that number of acres best reflects and communicates land's measurable characteristic increasing relevance and information usefulness.
- b. Prior analyses of user needs, as confirmed by the land task force, revealed that financial statements are of limited value to users inasmuch as the users would often obtain information from other sources to place the information in context and increase their understanding of it.⁷
- 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 reporting was not cost-beneficial given the vast holdings of land. This is primarily due to the impracticalities associated with valuing land, absent conditions such as demographically comparable sales, active markets or willing buyers, and estimations of the environmental liabilities associated with certain land holdings.⁸
- i. Citizen users on the task force and some respondents noted the benefit of fair value estimates of government land holdings. They generally noted that to assess an entity's stewardship and operating performance, fair value estimates of land parcels would help users assess whether such

⁵ SFFAC 1, par. 122-133.

⁶ SFFAC 1, par. 161 and SFFAC 7, par.7.

⁷ SFFAC 1, par. 158-159.

⁸ SFFAC 2, par. 73E.g. and SFFAC 5, par. 7

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. The Board concluded, instead, that number of acres would be more informative to the general public, Congress, and agency management.

- d. Acres 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).⁹
 - i. The Board realizes that some respondents believe the use of NFI, such as number of acres, to satisfy reporting objectives is relatively unprecedented. However, as previously noted, SFFAS 29 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 Statement are subject to a phased implementation schedule to enable the Board to evaluate implementation and identify and address any issues as they arise.
 - ii. As discussed in paragraph A9a ii, by moving all land to the measurement of acres, the Board concludes that financial statement reporting will better achieve the qualitative characteristics of consistency and comparability. Additionally, moving away from the current mixed measurement attribute model to a uniform acre model further increases the qualitative characteristic of understandability. Finally, advances in geospatial technology in measuring acres facilitates achievement of the qualitative characteristic of reliability. The Board concludes that such advancements, assisted by an RSI transition period, will facilitate development of reliable acre information suitable for presentation as basic information.
- e. The NFI 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 for reliably and consistently measuring acres, making the information appropriate for note disclosure.¹⁰
 - 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.¹¹
 - 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

⁹ SFFAC 1, par 156, SFFAC 2, par. 73E.e., and SFFAC 4, par. 9.

¹⁰ (SFFAC 2, par. 73E)

¹¹ SFFAC 5, par. 8.

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 disclosure of acres would best meet the reporting objectives and qualitative characteristics in a cost beneficial manner.

- g. In conclusion, the Board concluded that the vast holdings and uses of federal land cannot adequately be conveyed to the public by any one 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 climate 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 concluded that, consistent with its conceptual framework, the use of reporting of acres increases transparency while either avoiding or at least significantly minimizing burden and costs that would otherwise be borne if other valuation methods were used to recognize land on the balance sheet.

Summary of Outreach Efforts and Responses

- A10. The exposure draft (ED) was issued April 30, 2018, with comments requested by July 30th, 2018. Upon release of the ED, 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, the Financial Statement Audit Network, members of both the Federal Real Property Council and Federal Facilities Council, and committees of professional associations generally commenting on EDs in the past.
- A11. This broad announcement was followed by electronic mailings of the ED to the following relevant congressional committees: Senate Energy and Natural Resources and House Natural Resources.
- A12. FASAB received a total of 18 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	13	-0-	13

Users, academics, others	-0-	3	3
Auditors	1	1	2
Total	14	4	18

- 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. Eight respondents accepted the Board's invitation and clarified their comments on October 24, 2018, and five subject matter experts shared their views on October 25, 2018, 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. Respondents agreeing with the Board's proposal to reclassify G-PP&E land and permanent land rights noted that: (1) the geographic information system (GIS) can be readily adopted to comply with the reporting requirements for acres 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 that should remain on the balance sheet in order not to distort financial reporting, (2) the Board's proposal veers away from its conceptual framework by 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 as well as in performance reports, (5) audit precision and related burdens are problematic because there are no internal controls over acre information systems, (6) there will be a 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 necessitate additional implementation 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 that 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 are summarized as follows:

Comments opposing the ED include the following: Data collection should be commensurate with user needs and in this case, the cost of aggregating land information given the de-centralized manner in which it is stored may be cost prohibitive. Using the existing Public Land Statistics report for financial reporting purposes, as contemplated by the ED, would require a potentially cost-prohibitive investment of additional resources; the Public Land Statistics are designed for the general public, not financial reporting purposes. SFFAS 50 provides sufficient reporting flexibilities making the ED unnecessary. Because land benefits future periods, it should remain on the balance sheet; excluding it will understate the financial position. It is unclear how this proposal would improve financial management, which is the intent behind the CFO Act and the Federal Financial Management Improvement Act.

Comments that were neither in support of nor opposed to the ED include the following: Physical unit information, such as acres, needs context to be useful. Interior bureaus are working to improve the Protected Area Database of the United States and the Surface Management Area data. Agencies should be allowed flexibility to explain their unique missions and land responsibilities. Without clearer materiality guidance, acres or other NFI may be more suitable for RSI. Consideration should be given to presentation formats other than disclosures and the use of agreed upon procedures, rather than audits, should be considered for land information. The preparer transition period should not be underestimated; it could take multiple years for auditors to gain comfort. Performance information, which is not contemplated by the ED, when combined with cost information would allow an assessment of effectiveness and efficiency and would be valuable to users.

- 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 timeline. 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 timeline, 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 if deemed necessary, and (3) not permit early implementation.

User Needs

- A20. Respondents generally agreed that providing "estimated acres of land" would help ensure that user needs are met. One respondent noted that the information should be first designated as RSI and not moved to basic information until there is sufficient confidence in its reliability. Some respondents noted that to focus only 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 acre) 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, number of acres is best suited in meeting user needs.
- A22. Moreover, to increase the confidence in the reliability of the reporting of acres, 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 acres 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.

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

- A23. 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) G-PP&E, (2) heritage assets, and (3) SL. 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.

Land Use – Categorizing and Sub-categorizing Land Consistently

- A24. 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 apportion 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 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 SFFAS 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 apportion 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 Statement'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.

Developing Uniform Land Disclosure Requirements

- A28. 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 and exacerbates the existing cost burden. However, some respondents also believed that increases to preparer burden and audit efforts after initial implementation would be temporary. In response to the Board’s proposed implementation timeline, more fully discussed below, GAO and OMB expect to coordinate efforts regarding auditor guidance.
- A29. 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 have 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 requirement to report acres by only requiring the beginning and ending balances be presented
 - 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. 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 clarified 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.

Land Rights

A31. In SFFAS 6, the Board provided for the recognition of land rights based on the expected service life of the land rights. Specifically, where land rights are for a limited or finite period of time (that is, temporary), the Board provided for amortization/depreciation of the cost to acquire and maintain such rights and for those land rights considered permanent, they are capitalized along with land. SFFAS 50 provided alternative methods for establishing opening balances. Specifically, paragraph 13 (which amended paragraph 40 of SFFAS 6) provides reporting entities that met the SFFAS 50 criteria to apply the option to either (1) exclude both land and (all) land rights from the opening balance of G-PP&E or (2) recognize land and land rights in opening balances based on the provisions of the alternative valuation method (deemed cost).

A32. In its ED, the Board proposed to treat land rights with an unlimited or infinite period of time (that is, permanent) consistent with the proposed requirements regarding land acquisitions (that is, expensing) and to continue treating those temporary land rights consistent with SFFAS 6. During re-deliberations and considering respondent comments specific to land rights, the Board reconsidered its proposed amendment allowing entities electing to exclude land and land rights (from the opening balance of G-PP&E pursuant to SFFAS 50) to expense future acquisitions of temporary land rights. As a result, the Board concluded that those entities electing to exclude land and land rights from their opening balances should capitalize and depreciate/amortize temporary land rights prospectively. The Board believes that this aforementioned requirement increases comparability and consistency by providing a uniform accounting practice relative to all land rights. Furthermore, the Board notes that, unlike permanent land rights, temporary land rights are limited in duration and have a definite useful service life or economic life. As such, the Board believes that accrual based financial statements benefit by the allocation of costs between accounting periods.

Requests for Exceptions to De-recognition

A33. Several respondents noted particular circumstances or cases (for example, rate-setting entities) that would require them to continue capitalizing G-PP&E land and permanent land rights. Others also noted 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. Furthermore, this forthcoming Statement would not necessarily have to apply to the journal 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 done without affecting financial reporting while also being accompanied by supplemental disclosures. Concerning inseparable land costs, the Board believes that reasonable estimates can be made to identify infrastructure costs apart from land costs in order ensure appropriate accounting and reporting. For example, estimates can be derived from (1) public land records such as property tax assessments or ownership documents, (2) comparable market analyses or appraisals, and (3) comparable or similar recorded real property holdings or investments.

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 SL at SFFAS 29 paragraph 40, entities may combine the display and/or disclosure for G-PP&E land and permanent land rights and SL. 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 has been retained.

Disclosure requirements for the consolidated financial report of the U.S. Government contained at SFFAS 32 paragraph 23 and SFFAS 29 paragraph 42 may also combine the display and/or disclosure for G-PP&E land and permanent land rights and SL and permanent land rights. In such cases and to the extent possible, direct references to agency reports for additional category information about G-PP&E land and permanent land rights and SL and permanent land rights 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 discussed 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.

Application of this Statement

- A37. 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 and briefly describe the effect on beginning net position.

Implementation and Effective Date

- A38. 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 fiscal year 2021 as RSI and transition to Basic information with removal of G-PP&E land and permanent land rights from the balance sheet in fiscal year 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 estimates of acres 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

- A39. This Statement was approved unanimously. Written ballots are available for public inspection at FASAB's offices.