



Federal Accounting Standards Advisory Board

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August 7, 2020

Memorandum

To: Members of the Board

From: Domenic N. Savini, Assistant Director

Through: Monica R. Valentine, Executive Director

Subject: **Accounting and Reporting of Government Land Project<sup>1</sup> – Tab C**

**MEMBER ACTIONS REQUESTED:**

- Provide answers to the 7 questions beginning on page 42 by August 14th.

**PROJECT GOAL**

To require entities to consistently report all federal land (G-PP&E and Stewardship) holdings across government.

**MEETING OBJECTIVE**

The objective of this meeting is to consider staff recommendations concerning certain open issues raised by members during the June meeting. Pursuant to the meeting, a revised document will be prepared.

**BRIEFING MATERIAL**

This staff memorandum consists of a brief background of the June 2020 Board meeting, followed by an executive summary and detailed staff analyses. For your ready-reference, a copy of the latest draft document is included as Attachment 1.

Thank you and I look forward to our meeting.

**ATTACHMENT 1** - August 2020 Draft SFFAS - DM 1488713 v2b (formerly 1191522 v2c)

**APPENDIX 1** - Applying Materiality in Practice

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

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## BACKGROUND

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### BACKGROUND

At the June meeting, members heard from the representatives of three agencies with significant land holdings. The discussion addressed (1) the Board's plans for ongoing monitoring of the proposed standard's implementation and to provide any needed implementation guidance, (2) the major differences between the Land exposure draft and the current draft SFFAS proposal and (3) any possible misunderstanding preparer's may have regarding the Board's proposal.

Agency representatives included Ms. Lynn Moaney, Department of Agriculture (USDA); Mr. Douglas Glenn, Department of Defense (DOD); and Mr. Scott Cameron, Department of the Interior (DOI). Through a series of ten questions, the panelists expressed their views on the provisions in the pre-ballot draft, which are summarized below:

1. Creation of multi-use/tribal-use classifications
2. Non-financial Information (NFI) materiality assessments
3. Definition of commercial use
4. Definition of predominant use
5. Clarifying that system integration is not required and that data from outside of the financial system is acceptable
6. Whether the outer continental shelf (submerged lands) should be reported
7. Whether easements should be separately presented
8. Consider if predominant use sub-categorizations should permanently stay in RSI
9. Clarification on land ownership records and title implications
10. Clarity on estimated acreage

Pursuant to the panel discussion, the majority of the Board agreed that the issues listed above need to be addressed further before the draft SFFAS document can move forward. However, some members noted that several of the issues could be addressed through implementation guidance.

Subsequent to the meeting, staff reviewed the project history and determined that only one issue – submerged lands (Issue 6 above) – was not researched or deliberated by the Board or its task force because submerged lands are not part of FASAB's definition of land. Specifically, the outer continental shelf does not meet either the definition of G-PP&E land or stewardship land and falls outside the scope of the project. Moreover, all of the remaining nine issues have been considered and where appropriate, deliberated by the Board. Please refer to the Executive Summary and balance of this memorandum for related details.

## EXECUTIVE SUMMARY

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### EXECUTIVE SUMMARY

The June 2020 meeting revealed that additional attention would be needed on certain issues to facilitate member discussions and deliberations prior to finalizing the draft SFFAS for pre-balloting purposes. As shown in the below table, staff has researched and developed recommendations and where appropriate, proposed edits to the draft SFFAS for members to consider.

Accordingly, staff will revise the most current draft SFFAS (see Attachment 1) pursuant to the results of this meeting for subsequent review, prior to initiating pre-balloting procedures.

Topic	Date(s) Topic Addressed	Staff Recommendation
1. Tribal Land	<p><b>October 2016 – the Board reviewed and accepted the Task Force recommendation to exclude Tribal Land</b> from the project's scope.</p> <p>Additionally, the Board explained its rationale for doing so in the Exposure Draft's BFC paragraphs A46 thru A50.</p> <p>Minutes: <a href="http://files.fasab.gov/pdffiles/oct_19_20_2016_meeting_minutes.pdf">http://files.fasab.gov/pdffiles/oct_19_20_2016_meeting_minutes.pdf</a></p> <p>Memo: <a href="http://files.fasab.gov/pdffiles/tab_1_land_sep_29_for_oct_2016.pdf">http://files.fasab.gov/pdffiles/tab_1_land_sep_29_for_oct_2016.pdf</a></p> <p>ED: <a href="http://files.fasab.gov/pdffiles/Land_ED.pdf">http://files.fasab.gov/pdffiles/Land_ED.pdf</a></p>	<p><b>Clearly exempt Tribal Land in the Scope paragraph</b> of the draft SFFAS. Staff suggests the following language:</p> <p><b>The amendments in this statement do not apply to land held in trust or administered on behalf of Indian tribal governments and individual Indian land holdings.</b></p>
2. Predominant Use	<p><b>October 2017 - Staff developed a Predominant Use draft definition accompanied by four major groups of associated factors</b> designed to facilitate a predominant use assessment. Although members offered edits to the proposed definition of predominant use and generally agreed with the associated factors, they</p>	<p><b>In consultation with the implementation land task force, issue Implementation Guidance adopting the Board's Predominant Use definition accompanied by the four major groups of associated factors</b> designed to</p>

## EXECUTIVE SUMMARY

Topic	Date(s) Topic Addressed	Staff Recommendation
	<p>ultimately decided that this information be moved to implementation guidance.</p> <p>Minutes: <a href="http://files.fasab.gov/pdf/minutes_oct_25_26_2017.pdf">http://files.fasab.gov/pdf/minutes_oct_25_26_2017.pdf</a></p> <p>Memo: <a href="https://files.fasab.gov/pdf/17_10_TAB_F_LAND.pdf">https://files.fasab.gov/pdf/17_10_TAB_F_LAND.pdf</a></p> <p><b>August 2017</b> – Staff reported that <b>concerning overall user needs, specifically those of Congress</b>, staff conducted a non-statistical survey wherein <b>congressional support personnel noted</b> their use of the following data-points for decision-making purposes: <b>broad acreage, predominant use, unit count, and revenue generating land</b>. Academics and business consultants expressed almost identical information needs.</p> <p>Minutes: <a href="https://files.fasab.gov/pdf/minutes_august_30-31_2017.pdf">https://files.fasab.gov/pdf/minutes_august_30-31_2017.pdf</a></p> <p>Memo: <a href="http://files.fasab.gov/pdf/tab_f_land_aug_17.pdf">http://files.fasab.gov/pdf/tab_f_land_aug_17.pdf</a></p>	<p>facilitate a predominant use assessment.</p>
<p><b>3. Multi-Use Land</b></p>	<p><b>October 2017</b> – Staff proposed that disclosures for multi-use land lacking a predominant use be subcategorized in <b>a forth sub-category entitled Multi-Use Land</b> and accompanied by a concise explanation of the multiple uses of the land. <b>Members did not agree</b> with the staff recommendation to establish a 4th multi-use sub-category when an entity cannot ascertain predominant use. <b>The overarching concern is</b></p>	<p><b>Staff does not recommend any further action at this time</b> pursuant to the Board's plans to assess the implementation challenges prior to RSI converting to Basic.</p> <p><b>However, depending upon the results of the Board's monitoring and assessment during the transition</b></p>

## EXECUTIVE SUMMARY

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	<p>that establishing such a sub-category could lead preparers to use it as a “catch-all” causing an underreporting of land in the other 3 sub-categories.</p> <p>Minutes: <a href="http://files.fasab.gov/pdf/minutes_oct_25_26_2017.pdf">http://files.fasab.gov/pdf/minutes_oct_25_26_2017.pdf</a></p> <p>Memo: <a href="https://files.fasab.gov/pdf/17_10_TAB_F_LAND.pdf">https://files.fasab.gov/pdf/17_10_TAB_F_LAND.pdf</a></p>	<p>period, staff suggests that if at that time the sub-category use information is to:</p> <ul style="list-style-type: none"> <li>• <b>Transition to Basic – we should adopt a multi-use sub-category</b> in order to provide preparers flexibility while ensuring reliability;</li> <li>• <b>Remain in RSI permanently – we should <u>not</u> adopt a multi-use sub-category</b> because there is no need to provide greater flexibility than what already exists in RSI given its lower attestation requirements.</li> </ul>
<p><b>4. Materiality</b></p>	<p><b>October 2017 – Staff developed a proposed discussion and adapted an IASB practice statement’s 4-step process concerning materiality</b> for the draft ED’s Basis for Conclusions’ section.</p> <p>Materiality was a key issue at the August 2017 meeting regarding its application to land information reported as non-financial information (NFI). <b>Members decided to move this topic to implementation guidance. Members made this decision in light of the Note Disclosure Project Plan (Tab H -1) which at the time included developing guidance on how to apply materiality to guide preparers in developing disclosures.</b></p>	<p><b>Staff does not recommend any further action at this time.</b> However, in accordance with the Board’s decision, and in-step with any action that GAO may take in this regard, <b>issue Implementation Guidance as appropriate.</b></p>

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	<p>Minutes: <a href="http://files.fasab.gov/pdf/minutes_oct_25_26_2017.pdf">http://files.fasab.gov/pdf/minutes_oct_25_26_2017.pdf</a></p> <p>Memo: <a href="https://files.fasab.gov/pdf/17_10_TAB_F_LAND.pdf">https://files.fasab.gov/pdf/17_10_TAB_F_LAND.pdf</a></p>	
<p><b>5. Commercial Use</b></p>	<p><b>August 2018</b> – the Board reviewed respondent comments to the ED wherein <b>81.0% of those answering the question agreed with the proposed sub-category definitions.</b></p> <p>Nevertheless, two of our June panelists asked for clarification regarding revenue-generating resources/assets. For example, would revenue derived from either timber sales or concession fees be considered a commercial use of the land? Conversely, is commercial use restricted to the discrete activities performed on the Land not the land itself?</p> <p>Minutes: <a href="https://files.fasab.gov/pdf/18_08_TAB_C_LAND.pdf">https://files.fasab.gov/pdf/18_08_TAB_C_LAND.pdf</a></p> <p>Memo: <a href="https://files.fasab.gov/pdf/august_29-30_2018_minutes.pdf">https://files.fasab.gov/pdf/august_29-30_2018_minutes.pdf</a></p>	<p>In addition to any forthcoming Implementation Guidance, <b>staff suggests an edit to the proposed definition to address the panelists’ concerns.</b> Staff suggests the following highlighted edit:</p> <p><u>Commercial use land sub-category</u> includes land or land rights that are predominantly used to generate inflows of resources (regardless of whether the use or activity is intended to produce a profit) from non-federal third parties, usually through special use permits, right-of-way grants, and leases.</p>
<p><b>6. Clarifying that System Integration / Changes are not required</b></p>	<p><b>June 2016</b> – The Board reviewed the results from one-on-one staff meetings with DOD, Energy, and Interior. Refer to Page 8 in Tab B linked below. <b>The Board acknowledged that significant systems interface and integration issues exist at each roundtable agency.</b></p> <p>Minutes: <a href="http://files.fasab.gov/pdf/june_29_30_2016_minutes.pdf">http://files.fasab.gov/pdf/june_29_30_2016_minutes.pdf</a></p>	<p><b>Staff recommends that the draft statement’s basis for Conclusions adopt language to clarify that system integration is not required.</b> That is, the Board believes existing internal controls and processes should be relied on to the extent possible without the need for formal systems integration between financial and</p>

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	Memo: <a href="http://files.fasab.gov/pdffiles/16_6_tab_b_land.pdf">http://files.fasab.gov/pdffiles/16_6_tab_b_land.pdf</a>	property management systems.  <b>Refer to Page 21 for suggested language and related comments.</b>
<b>7. Easements / Outer Continental Shelf (submerged lands)</b>	<p><b>June 2017 – Concerning easements, the Board agreed that because land rights are intangible assets, any open issues related to their treatment not addressed by SFFAS 6 and should be excluded from the land project’s scope.</b></p> <p>Members also agreed that leased land should be subject to the revised lease standards and that disclosures should be harmonized to the extent practical.</p> <p>Minutes: <a href="http://files.fasab.gov/pdffiles/minutes_jun_21-22_2017.pdf">http://files.fasab.gov/pdffiles/minutes_jun_21-22_2017.pdf</a></p> <p>Memo: <a href="http://files.fasab.gov/pdffiles/tab_h_land_jun_2017.pdf">http://files.fasab.gov/pdffiles/tab_h_land_jun_2017.pdf</a></p> <p><b>June 2016 – The Board agreed not to pursue land rights given the results from one-on-one meetings of DOD, Energy, and Interior. These agencies agreed that land rights are immaterial and the cost of separating them from the underlying asset would be prohibitive. Refer to Page 10 in Tab B.</b></p> <p>Minutes: <a href="http://files.fasab.gov/pdffiles/june_29_30_2016_minutes.pdf">http://files.fasab.gov/pdffiles/june_29_30_2016_minutes.pdf</a></p>	<p><b>Concerning easements, staff suggests that both Messrs. Perry and Savini coordinate</b> the accounting treatment of land rights that are acquired in different ways (e.g., leased or purchased) to ensure consistent treatment. Staff believes that this may result in suggesting that the Board approve a separate Intangibles project. <b>Please note that DOD, Energy, and Interior consider land rights immaterial.</b></p> <p><b>Concerning the outer-continental shelf, staff does not concur with the panelist’s recommendation</b> because financial reporting of the outer continental shelf is beyond the scope of the Land project. However, submerged lands could be researched as a potential resource for asset recognition in a natural resources project later.</p>

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	Memo: <a href="http://files.fasab.gov/pdf/files/16_6_tab_b_land.pdf">http://files.fasab.gov/pdf/files/16_6_tab_b_land.pdf</a>	
8. Basic versus RSI	<p><b>December 2018 – Members generally 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 has an opportunity to modify guidance should the issues with auditability of the information not be resolved by the transition date, and (3) allow for early implementation. Members supporting acreage as Basic information noted its importance to the citizens in terms of the government’s vast amount of land holdings and its priceless value as an asset.</b></p> <p>Minutes: <a href="https://files.fasab.gov/pdf/files/december_19-20_2018_minutes.pdf">https://files.fasab.gov/pdf/files/december_19-20_2018_minutes.pdf</a></p> <p>Memo: <a href="https://files.fasab.gov/pdf/files/18_12_TAB_A LAND.pdf">https://files.fasab.gov/pdf/files/18_12_TAB_A LAND.pdf</a></p> <p><b>August 2017 – Staff reported that concerning overall user needs, specifically those of Congress, staff conducted a non-statistical survey wherein congressional support personnel noted their use of the following data-points for decision-making purposes: broad acreage, predominant use, unit count, and revenue generating land. Academics and business consultants expressed almost identical information needs.</b></p>	Consistent with the Board’s draft SFFAS position that recognizes the importance of this information to users, <b>staff suggests retaining the current disclosure and presentation requirements subject to further review during the transition period.</b>

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	<p>Minutes: <a href="https://files.fasab.gov/pdffiles/minutes_august_30-31_2017.pdf">https://files.fasab.gov/pdffiles/minutes_august_30-31_2017.pdf</a></p> <p>Memo: <a href="http://files.fasab.gov/pdffiles/tab_f_land_aug_17.pdf">http://files.fasab.gov/pdffiles/tab_f_land_aug_17.pdf</a></p> <p><b>April 2017 - Concerning NFI in general, members generally agreed with the five NFI data points contained in tab D but did not agree on their placement. Some members felt all data points should be presented as Required Supplementary Information, whereas others preferred broad acreage and unit-count information be reported as basic information.</b> Members generally agreed with the three-land use reporting sub-categories and noted that predominant use would be reflected in the three categories.</p> <p>Minutes: <a href="http://files.fasab.gov/pdffiles/minutes_apr_26_2017.pdf">http://files.fasab.gov/pdffiles/minutes_apr_26_2017.pdf</a></p> <p>Memo: <a href="http://files.fasab.gov/pdffiles/17_04_tab_d_land.pdf">http://files.fasab.gov/pdffiles/17_04_tab_d_land.pdf</a></p>	
<b>9. Land Ownership</b>	<p><b>February 2018 - Regarding nonconventional audit documentation, members noted that the accounting standards should not address audit requirements.</b> However, members generally supported addressing in the basis for conclusions what the Board considers reasonable support for those estimates.</p> <p>Minutes: <a href="http://files.fasab.gov/pdffiles/minutes_feb_21-">http://files.fasab.gov/pdffiles/minutes_feb_21-</a></p>	<p><b>Staff does not recommend any further action at this time</b> pursuant to the Board's plans to assess the implementation challenges prior to RSI converting to Basic.</p>

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Topic	Date(s) Topic Addressed	Staff Recommendation
	<p><a href="#">22_2018_minutes_and_attachments.pdf</a></p> <p>Memo: <a href="https://files.fasab.gov/pdf/files/tab_c_-_land_feb_2018.pdf">https://files.fasab.gov/pdf/files/tab_c_-_land_feb_2018.pdf</a></p> <p><b>December 2017</b> – The Board reviewed the task force’s work regarding examples of unconventional audit support that could substantiate ownership. Regarding nonconventional audit documentation, <b>members noted that the accounting standards should not address audit requirements.</b> However, members generally supported addressing in the basis for conclusions what the Board considers reasonable support for those estimates.</p> <p>Minutes: <a href="https://files.fasab.gov/pdf/files/minutes_dec_20_2017.pdf">https://files.fasab.gov/pdf/files/minutes_dec_20_2017.pdf</a></p> <p>Memo: <a href="https://files.fasab.gov/pdf/files/minutes_dec_20_2017.pdf">https://files.fasab.gov/pdf/files/minutes_dec_20_2017.pdf</a></p>	
<p><b>10. Estimated Acreage</b></p>	<p><b>Current draft SFFAS</b> – BFC paragraph A35 concludes with the statement “<b><i>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.</i></b>”</p> <p><b>December 2017</b> – The Board agreed with the staff recommendation to require “estimated acreage” and <b>noted that the accounting standards should not address audit requirements.</b> However, members generally supported addressing in the basis for conclusions what the Board considers reasonable support for</p>	<p><b>Other than clarifying in the Basis for Conclusions</b> the Board’s expectation concerning acreage estimates as shown above, <b>staff does not recommend any further action at this time</b> pursuant to the Board’s plans to assess the implementation challenges prior to RSI converting to Basic.</p>

## EXECUTIVE SUMMARY

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Topic	Date(s) Topic Addressed	Staff Recommendation
	those estimates. In addition, <b>implementation guidance addressing reasonable estimation methods and documentation might be appropriate after FASAB issues the standards.</b>	

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## TRIBAL LAND

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## TRIBAL LAND

**Tribal Land** – The Board did not intend to amend existing standards to require the reporting of Tribal land held in trust. Specifically, in its Exposure Draft dated April 30, 2018 the Board stated the following in the Basis for Conclusions at paragraphs A47 and A50:

A47. In addition to federally owned lands, some agencies hold land in trust (fiduciary land). Most notable are the tribal lands held in trust by the Bureau of Indian Affairs (BIA). **The Board considered whether land held in trust should be addressed through these amendments and decided that doing so would require significantly more research.** Research areas include (1) the effectiveness of existing requirements, (2) consultation with users including trust beneficiaries, (3) appropriateness of federal financial reporting objectives, and (4) the costs and benefits of expanding fiduciary activity reporting.

A50. **While including amendments to reporting for land managed through fiduciary activities in the scope of this project might be expected, the issues are broader, reporting objectives are potentially different, and the stakeholders are different** than those for federally owned land. Also, there may be factors regarding land use and management that should be considered before determining the most appropriate information (including categorization) to report. For example, there are cooperative arrangements between beneficiaries, such as tribal governments, and federal reporting entities, such as the BIA. The cost-benefit of expanding the fiduciary activities disclosures should be considered; costs and benefits may differ from federally owned land. Therefore, the Board concluded this proposed Statement does not directly affect fiduciary activities.

**Staff Recommendation** – Staff advises that the Scope section of the draft SFFAS include an explicit exemption noting that the amendments do not apply to Tribal Lands. Staff suggests the following language:

The amendments in this statement do not apply to land held in trust or administered on behalf of Indian tribal governments and individual Indian land holdings.

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## PREDOMINANT USE AND MULTI USE

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### PREDOMINANT USE AND MULTI USE

**Predominant Use Definition** – At the October 2017 Board meeting (TAB F), staff proposed and members reviewed a draft predominant use definition accompanied by four major groups of associated factors designed to facilitate a predominant use assessment. Member edits to the proposed definition:

**Predominant Use** – is the major or most prominent **primary current** use of an asset during the reporting period. ~~Generally, a~~ **An** asset's predominant use is consistent with the entity's ~~legislative authorities~~ **authorizing legislation** and such use **may not always be consistent with the original intent or reason why the asset was acquired** ~~could be routine or sporadic in nature~~ and can change between reporting periods. Predominant use does not include incidental or infrequent uses of the asset.

**Predominant Use Factors** – The following factors were developed to facilitate a predominant use assessment in those cases where practitioners need to exercise judgment in assessing predominant use. The factors are categorized into four major groups that are designed to facilitate a predominant use assessment:

Because the factors are subjective and may be problematic to apply in some cases, members suggested the following precursor or introductory language to the factors:

*“In certain cases when making a predominant use assessment an entity will need to exercise judgment. Accordingly, subject to their existence and reasonable availability the following four major groups of factors may be used to facilitate a predominant use assessment:”*

### Predominant Use Factors

1. **Congressional and Agency Budget Justifications to identify:**
  - a. Original intent for acquiring land
  - b. Acquisition rationale such as underlying scientific, national security, or economic reports
  - c. Nature of appropriations and budgetary funding streams
2. **Agency Management Plans to identify:**
  - a. Primary and secondary land-use missions
  - b. Land Management Plans
  - c. Annual Work Plans (planned resource allocations)
  - d. FTE allocations and timesheet charges (actual resource allocations)

## PREDOMINANT USE AND MULTI USE

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### 3. Agency financial information to identify:

- a. Nature and amount of revenues
- b. Nature and amount of expenditures
- c. Nature and amount of DM&R
- d. Annual budget appropriation amounts, trends

### 4. Visitor or Applicant information to identify:

- a. Attendance/visitation levels
- b. Number and frequency of customer surveys
- c. Number and nature of permits/licenses issued

- **Staff Recommendation** – In consultation with the implementation land task force, issue Implementation Guidance adopting the Board's Predominant Use definition accompanied by the four major groups of associated factors designed to facilitate a predominant use assessment.

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### **Multi-Use Land Lacking Predominant Use**

SFFAS 29 and Technical Release 9 (TR9) state and/or intend that predominant land use should be the major use of the land and not an incidental use. Further, where land has multiple uses, none of which is predominant, we require a disclosure of the multiple uses. The draft SFFAS proposes establishing three sub-categories and a narrative disclosure for multi-use land where no predominant use can be ascertained. An additional option to consider is requiring that such land be placed into a fourth sub-category. In this way total acreage will be readily accounted for and presented consistently with the other three sub-categories.

Consistent with staff recommendations made at the October 2017 Board meeting (TAB F), staff believes that the proposed disclosure requirements for multi-use land lacking a predominant use be sub-categorized in a fourth sub-category entitled *Multi-Use Land* and accompanied by a concise explanation of the multiple uses of the land if the sub-category use information is to transition to Basic as currently proposed in the draft SFFAS. If the Board decides to not transition the RSI to Basic information, that is, leaving the sub-categories in RSI permanently, then we should not adopt a multi-use sub-category because there is no need to provide greater flexibility than what already exists in RSI given its lower attestation requirements.

**Staff Recommendation** – depending upon the results of the Board's monitoring and assessment during the transition period, **staff suggests that if at that time the Board decides to stay the course and transition RSI to Basic, staff suggests adding a fourth, sub-category** for those land holdings considered multi-use where no predominant use can be ascertained by the entity. **However, if the Board were to**

## PREDOMINANT USE AND MULTI USE

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**decide not to transition the RSI information, staff does not advise use of a fourth sub-category** given that flexibility exists in RSI.

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## MATERIALITY

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### MATERIALITY

**Materiality** – materiality<sup>2</sup> was first raised by members at the August 2017 meeting and is an issue because the Board believes that the use of non-financial information (NFI) is as an acceptable alternative to recognizing and measuring land as an asset.

As you know, in applying the concept of materiality, practitioners should consider both quantitative and qualitative characteristics in light of user needs. An item, event, condition, or amount does not have to be both quantitatively and qualitatively material to be considered for display or disclosure. That is, items, events, conditions, or amounts can be either quantitatively or qualitatively material or possibly both.

Traditionally, assets are reported in dollar amounts facilitating quantitative materiality judgments. However, assets not reported in dollars require special attention. Moreover, qualitative factors such as the importance of land to the entity's mission or extent of public interest in the entity's land holdings also play an important role when making materiality judgements.

Due to concerns with how materiality assessments could be applied to land information reported as non-financial information (NFI), staff was asked to develop materiality guidance for consideration. As a result, staff developed a materiality discussion for the Basis for Conclusions patterned after an International Accounting Standards Board (IASB) practice statement<sup>3</sup> which was presented at the October 2017 Board meeting (TAB F). Additionally, staff developed implementation guidance<sup>i</sup> using an IASB practice statement's 4-step process concerning materiality, which can be found at Appendix 1 to this memorandum.

### Quantitative Assessments for Non-capitalized Land

Choosing quantitative materiality factors is a practical means to achieve straightforward and consistent reporting procedures for land and absent dollar measurements; total acreage becomes the most relevant factor or baseline for an entity's quantitative materiality assessment. Applying quantitative factors for materiality assessments is a matter of professional judgment and may include the following quantitative factors for consideration:

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<sup>2</sup> 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. Source: Statement of Federal Financial Accounting Concepts 1: *Objectives of Federal Financial Reporting*.

<sup>3</sup> Adapted from IFRS Practice Statement 2, *Making Materiality Judgments*, September 2017. All Rights Reserved. Copyright © 2017 IFRS Foundation.

## **MATERIALITY**

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### **Quantitative factors for Non-capitalized Land**

#### **For the U.S. Government-wide financial statement**

1. Total entity acreage as a percentage of the total acreage held/managed by the U.S. Government.
2. Entity acreage specific to a particular use as a percentage of the total comparable acreage held/managed by the U.S. Government.

#### **For Entity financial statements**

1. Entity geographically specific (for example, region, state, county, etc.) acreage as a percentage of comparable acreage held/managed by the entity.
2. Number of entity physical units (such as regions, parks, districts, or other field unit jurisdictions) dedicated to a particular purpose or within a sub-category.
3. Number of management units (for example, regional offices), dedicated to a particular purpose or within a sub-category.
4. Budgeted resources assigned or allocated to land for a particular purpose or within a sub-category.
5. Earned revenues derived from distinct activities or functions for a particular purpose or associated with the sub-categories.
6. Variation, unexpected changes or trends in any of the above noted factors.

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### **Qualitative Assessments for Non-capitalized Land**

For qualitative materiality assessments, an entity should identify and apply factors that will govern their land note disclosure. Qualitative factors to be considered, among others, are whether the entity's land holdings or land uses are viewed as "important to the nation or to the mission of the entity", and whether the assets are "visible, vulnerable, or controversial." Other factors to consider include whether the entity has significant operations, programs, or activities related to land management. Additionally, consideration should be given to whether an entity's land possesses characteristics or qualities that have widespread public interest. Applying qualitative factors for materiality assessments is a matter of professional judgment and may include the following qualitative factors for consideration:

#### **Qualitative factors:**

1. Identification of primary or most interested users
2. Congressional, GAO or Inspector General oversight concerns
3. Congressional Bills or other pending legislation

## MATERIALITY

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4. Community, environmental or industry concerns
  5. Subordinate (that is, state, county, local government) jurisdiction concerns regarding equitable payments in lieu of taxes
  6. Media scrutiny
  7. Uncommon, or non-standard, features of a transaction or other event or condition
  8. Unexpected variation, unexpected changes or trends. In some circumstances, the entity might consider a quantitatively immaterial amount as material because of the unexpected variation compared to the prior-period amount provided in its financial statements
- **Staff Recommendation** – **Staff does not recommend any further action at this time.** In accordance with the Board’s decision, and in-step with any action that GAO may take in this regard, **issue Implementation Guidance consistent with the above materiality discussion as appropriate.**

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## COMMERCIAL USE DEFINITION

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### COMMERCIAL USE DEFINITION

At the August 2018 meeting, the Board reviewed respondent comments to the ED wherein 81.0% of those answering the question agreed with the proposed sub-category definitions.

Nevertheless, two of our June panelists asked for clarification regarding revenue-generating resources/assets. For example, would revenue derived from either timber sales or concession fees be considered a commercial use of the land or alternatively, is commercial use restricted to the discrete activities and not to the land itself?

**Staff Recommendation** – In addition to any forthcoming Implementation Guidance, **staff suggests the following edit to address the panelists' concerns.** The proposed commercial use land definition and suggested edit follows:

Commercial use land sub-category includes land or land rights that are predominantly used to generate inflows of resources **(regardless of whether the use or activity is intended to produce a profit)** 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.

Note Conforming edits: SFFAS 6, par. 20B; SFFAS 29, par. 36B; Appendix D Glossary

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## CLARIFYING THAT SYSTEM INTEGRATION IS NOT REQUIRED

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### CLARIFYING THAT SYSTEM INTEGRATION IS NOT REQUIRED

#### Clarifying that system integration is not required -

The Board reviewed the results from one-on-one staff meetings with DOD, Energy, and Interior and acknowledged that significant systems interface and integration issues exist at each roundtable agency. The Board addressed a similar issue when deliberating SFFAS 44, *Accounting For Impairment Of General Property, Plant, And Equipment Remaining In Use* and developed language for the Summary and Basis for Conclusions sections of the Statement. An excerpt from the Summary of SFFAS 44 reads as follows:

Although a presumption exists that there are existing processes and internal controls in place to reasonably assure identification and communication of potential material impairments, this Statement does not require entities to conduct an annual or other periodic survey solely for the purpose of applying these standards. Management may determine that existing processes and internal controls are not sufficient to reasonably assure identification of potential material impairments and implement appropriate additional processes and internal controls.

- **Staff Recommendation** – Staff recommends that the draft statement's Basis for Conclusions adopt similar SFFAS 44 language shown above to clarify that **system integration is not required**. That is, the Board believes existing internal controls and processes should be relied on to the extent possible without the need for formal systems integration between financial and property management systems.

Staff suggests the following language:

Although a presumption exists that existing processes and internal controls are in place to reasonably estimate acreage and predominant use, such may not be the case at all entities at this time. As a result, the Board has proposed a phased-in transition period to allow preparers and auditors with sufficient time to evaluate and establish any needed controls or processes. Moreover, this Statement does not require entities to integrate or link property (land) management systems to financial systems solely for the purpose of applying these standards. In the event management determines existing processes and internal controls are not sufficient to reasonably assure identification of either estimated acreage or predominant use, additional processes and internal controls may be necessary.

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## REPORTING EASEMENTS AND OUTER-CONTINENTAL SHELF

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### REPORTING EASEMENTS AND OUTER-CONTINENTAL SHELF

#### EASEMENTS

At the June 2017 meeting the Board agreed not to pursue land rights in the Land project due to (1) the results from one-on-one meetings of DOD, Energy, and Interior wherein the agencies agreed that land rights are immaterial and the cost of separating them from the underlying asset would be prohibitive and (2) because land rights are intangible assets.

Members concluded that any open issues related to their treatment should not be not addressed by SFFAS 6 and excluded from the land project's scope.

- **Staff Recommendation** – Staff suggests that both Messrs. Perry and Savini coordinate the accounting treatment of land rights that are acquired in different ways (e.g., leased or purchased) to ensure consistent treatment. Staff believes that this may result in suggesting the Board approve a separate Intangibles project. Please note that DOD, Energy, and Interior consider land rights immaterial.

#### OUTER-CONTINENTAL SHELF (submerged lands)

At the June 2020, meeting one of the panelists suggested that the Board consider expanding reporting requirements to include acreage for submerged lands (outer continental shelf).

FASAB defines "land" as the solid part of the surface of the earth and excludes natural and renewable resources including the outer-continental shelf.

- **Staff Recommendation** – Staff does not concur with the panelist's recommendation because financial reporting of the outer continental shelf is beyond the scope of the Land project. However, submerged lands could be researched as a potential resource for asset recognition in a natural resources project.

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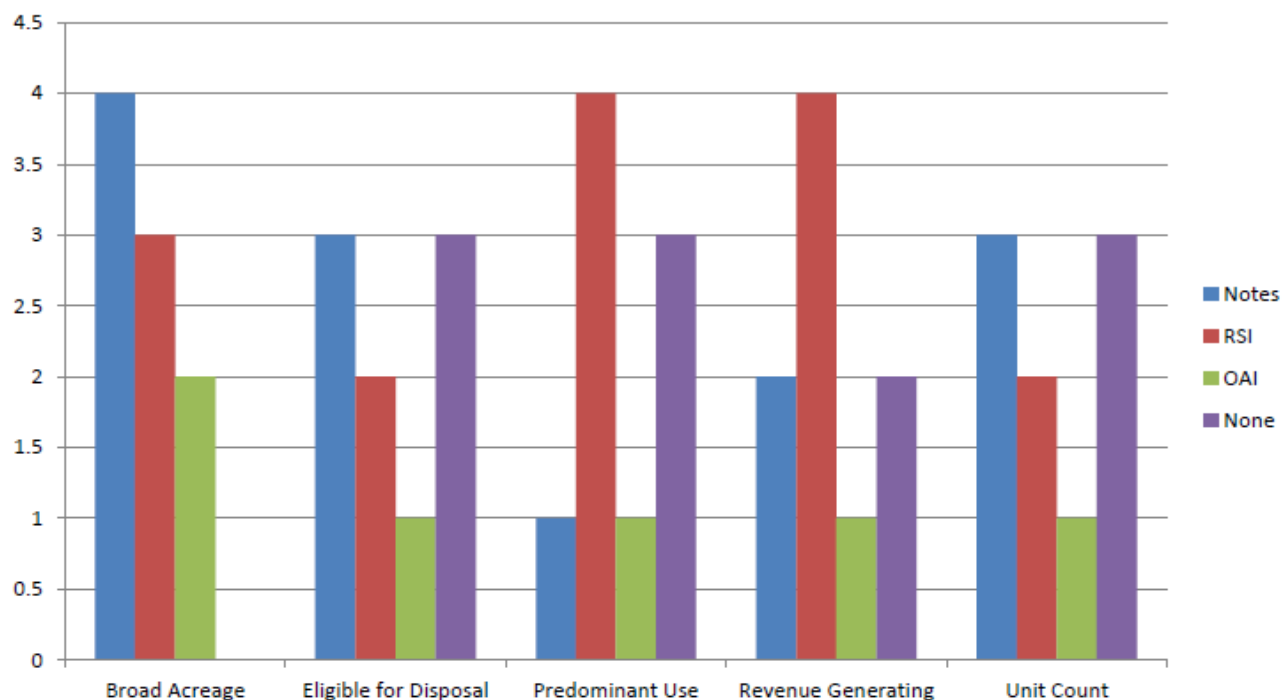
## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

### CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

In June and August of 2016, the task force reviewed and provided their input concerning several land reporting issues germane to determining whether predominant use should be presented as Basic information or as RSI. Accordingly, some of the task force input may prove beneficial to members in this regard.

Support existed for the reporting of broad (that is, estimated) acreage, land eligible for disposal, predominant use, revenue generating land and unit count. In addition to considering input from the task force, staff also obtained input from a user sub-group to identify where the NFI data-points seem to coalesce. A presentation analysis of the five “Favored” NFI Task Force and user sub-group data-points follows:

## “Favored” NFI Data-points & Presentation Preferences



Note: In order to normalize the data analysis, agency responses reflect multiple individual agency views.

Source: March/April 2017 task Force Homework.

## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

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### FACTORS TO CONSIDER IN DISTINGUISHING BASIC INFORMATION FROM RSI (From Table 1 on page 10 of SFFAC 6)

SFFAC 6: *Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information*, provides guidance for use by the Board in determining whether information should be basic information, required supplementary information (RSI), or other accompanying information (OAI). Although each of these categories communicates information to readers of financial reports, each may be subjected to different procedures and reporting requirements under generally accepted government-auditing standards. The Statement defines the categories as follows:

- Basic information is essential for the financial statements and notes to be presented in conformity with generally accepted accounting principles (GAAP).
- RSI is information that a body that establishes GAAP requires to accompany basic information.
- OAI is information that accompanies basic information and required supplementary information, but is not required by a body that establishes GAAP.

The Board has deliberated this issue both before and after the April 2018 Exposure Draft and invited respondents to address this matter as well as other issues in October 2018.

Staff has prepared an analysis of the factors contained in SFFAC 6 that the Board may wish to reconsider during the transition phase (FYs 2022-2025).

The analysis begins on the next page.

## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

	<b>Lower (implies RSI)</b> <b>Information to accompany basic information. It may be experimental to communicate information that is relevant and important. Also, allows for information that may be expressed in other than financial measures or may not be subject to reliable estimation (par. 73C)</b>	<b>Higher (implies Basic)</b> <b>Information that is essential for the financial statements and notes to be presented in conformity with GAAP (par. 73B)</b>	<b>Staff Notes</b>
<b>Relevance to fair presentation</b>	For example, if you take the position that much land information is already omitted from the financial statements, this could imply that such information is not highly relevant to fair presentation.	However, one could argue the contrary because a significant amount of land information already exists: G-PP&E land, SL, Physical Unit descriptions, condition, and even acreage estimates disclosed in Notes as well as RSI.	<p>Interior's 2019 AFR contains acreage amounts in Note 9 on pages 80 and 85. They also include acreage estimates in RSI on page 134.</p> <p><a href="https://www.doi.gov/pfm/afr">https://www.doi.gov/pfm/afr</a></p>
<b>Connection with elements of financial reporting</b>	For example, the Board's decision to remove G-PP&E land from the Balance sheet could be interpreted to mean that Land information is not only immaterial but of limited value to users.	Land is an asset and has significant connections with other financial statement elements such as buildings, royalty/licensing revenues, and operating costs.	<p>64% of the task force believed that reporting on Land relative to FASAB's reporting objectives needed to be improved.</p> <p>Ref: 3 June 2016 Q5.</p>
<b>Use of various types of financial data or financial transaction data</b>	The lack of integrated systems and/or diffused land management practices (i.e., regional offices), impede data collection for financial reporting purposes. Existing property/land management	<p>Land information directly supports the Stewardship as well as Operating Systems and Control reporting objectives.</p> <p>Moreover, audit processes</p>	53% of the task force stated that they do not believe information that management uses to manage its land portfolios are reliable for financial reporting.

## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

	<b>Lower (implies RSI)</b> <b>Information to accompany basic information. It may be experimental to communicate information that is relevant and important. Also, allows for information that may be expressed in other than financial measures or may not be subject to reliable estimation (par. 73C)</b>	<b>Higher (implies Basic)</b> <b>Information that is essential for the financial statements and notes to be presented in conformity with GAAP (par. 73B)</b>	<b>Staff Notes</b>
	reporting external to financial reporting already exists and could be leveraged.	improve data integrity as well as system reliability.	Ref: 3 June 2016 Q15.
<b>Level of importance the Board wishes to be communicated in the financial report</b>	RSI does not diminish the importance of land information reported as NFI. However, RSI recognizes the difficulty in measuring acres as well as assessing land use.	Substituting land information reported as Basic to RSI sends a message that land is not an important enough asset to recognize or to subject to audit procedures; that is, verify its reliability.	<p>Although 67% of the task force believe that NFI can provide accountability to the Public, 71% do not believe that acreage information alone is sufficient to meet the stewardship objective.</p> <p>Ref: 3 June 2016 Q1 and Q3.</p>
<b>Significance, relevance, or importance of the item in light of Objectives</b>	Reporting objectives can be met with RSI especially with experimental or evolving information/processes.	Reporting information as Basic provides assurance that said information is fairly presented in accordance with GAAP.	<p>64% of the task force believed that reporting on Land relative to FASAB's reporting objectives needed to be improved.</p> <p>Ref: 3 June 2016 Q5.</p>
<b>Level of importance the Board wishes to be communicated in</b>	Auditors will provide limited attestation procedures to RSI thus not diminishing its informational value to users.	Substituting land information reported as Basic to RSI sends a message that land is not an important enough asset	53% of the task force stated that they do not believe information that management uses to manage its land

## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

	<b>Lower (implies RSI)</b> Information to accompany basic information. It may be experimental to communicate information that is relevant and important. Also, allows for information that may be expressed in other than financial measures or may not be subject to reliable estimation (par. 73C)	<b>Higher (implies Basic)</b> Information that is essential for the financial statements and notes to be presented in conformity with GAAP (par. 73B)	<b>Staff Notes</b>
the auditor's report		to recognize or to subject to audit procedures.	portfolios are reliable for financial reporting.  Moreover, 62% do not believe that information related to land must be (fully) audited.  Ref: 3 June 2016 Q15 and Q16.
Relevance to measuring financial condition or changes in financial condition	Acreage information does not contribute to financial condition.	Acreage information allows users to apply their own measurement attributes to develop land values and assess whether the government's use is in the nation's best interest.	External users would have ideally preferred that land be fair valued and reported by parcel size. However, they agreed that this would be impractical and agreed to settle on acreage information where then they could apply their own measurement attributes and use the total acreage amounts reported as control totals in their analyses.  Task Force Meetings 6/16-4/17
Extent to which the	Those who read the federal financial statements are	As evidenced by Congressional representatives	External/ task force users stated that without broad

## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

	<b>Lower (implies RSI)</b> <b>Information to accompany basic information. It may be experimental to communicate information that is relevant and important. Also, allows for information that may be expressed in other than financial measures or may not be subject to reliable estimation (par. 73C)</b>	<b>Higher (implies Basic)</b> <b>Information that is essential for the financial statements and notes to be presented in conformity with GAAP (par. 73B)</b>	<b>Staff Notes</b>
<b>information interests a wide audience (rather than specialists)</b>	<p>probably not doing so to seek land information.</p>	<p>and work done by the Congressional Research Service and GAO land information is of interest to many different types of constituencies.</p>	<p>acreage any financial information on land is of much more limited value. While a user could in principle go and find it in other agency specific reporting, acreage is sufficiently important, and makes the financial reporting itself so much more useful, that it should be sitting in the financial statements. Critical to the reporting objectives.</p> <p>Internal users noted that not all agencies use the same unit of measure (acreage, unit, square feet, etc.) to account for their land holdings. Therefore, it would be difficult to compare similar land holdings between agencies.</p> <p>Ref: April 2017 TF Presentation</p>

## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

	<b>Lower (implies RSI)</b> <b>Information to accompany basic information. It may be experimental to communicate information that is relevant and important. Also, allows for information that may be expressed in other than financial measures or may not be subject to reliable estimation (par. 73C)</b>	<b>Higher (implies Basic)</b> <b>Information that is essential for the financial statements and notes to be presented in conformity with GAAP (par. 73B)</b>	<b>Staff Notes</b>
<b>Extent to which there are not alternative sources of reliable information</b>	<p>There are multiple sources of land information including GAO and CRS Reports, agency portals, agency annual reports, etc.</p>	<p>Most sources of information currently available are voluntarily issued by the agency and may not be suitable for general-purpose reporting due to the granular reporting of key data elements.</p>	<p>External sources of information may be available in many cases for both SL and G-PP&amp;E land however, as noted by GAO, this information may not be fully reliable.</p> <p>Moreover, some external sources of information are difficult to find and are subject to management's reporting discretion.</p> <p>Task Force Meetings 6/16-4/17</p>
<b>Agreement on criteria that permit comparable and consistent reporting</b>	<p>Given the variability of estimating methods and discrete agency mission requirements, comparability will not be achievable any time soon. This is especially true for predominant use sub-categorizations.</p>	<p>Acreage estimates are common denominator among all agencies lending themselves to comparability. Predominant use sub-categorizations using our definitions increases comparability and highlight operational differences.</p>	<p>Please recall that goal of this project was to require entities to consistently report all federal land (G-PP&amp;E and Stewardship) holdings across government.</p> <p>External users noted, "we should shoot for the integrity of</p>

## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

	<b>Lower (implies RSI)</b> Information to accompany basic information. It may be experimental to communicate information that is relevant and important. Also, allows for information that may be expressed in other than financial measures or may not be subject to reliable estimation (par. 73C)	<b>Higher (implies Basic)</b> Information that is essential for the financial statements and notes to be presented in conformity with GAAP (par. 73B)	<b>Staff Notes</b>
			<p>the number and comparability among agencies. This is pretty basic information which could be verified using GPS or some other advanced measuring system as long as it is consistently used across the federal government.”</p> <p>A CFO preparer noted, “Broad acreage may be available in non-financial databases but is not consistently captured or auditable given the history and vast areas included. In addition, providing deeds that are not centralized or readily available or even clearly readable (e.g., from the 1800's) will result in additional reporting and audit costs.”</p> <p>Ref: April 2017 TF Presentation</p>
<b>Experience among</b>	Acreage estimates have not been subject to audit and will	Auditing acreage information is no different from auditing	The task force analyzed audit burden for each “favored” NFI

## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

	<b>Lower (implies RSI)</b> <b>Information to accompany basic information. It may be experimental to communicate information that is relevant and important. Also, allows for information that may be expressed in other than financial measures or may not be subject to reliable estimation (par. 73C)</b>	<b>Higher (implies Basic)</b> <b>Information that is essential for the financial statements and notes to be presented in conformity with GAAP (par. 73B)</b>	<b>Staff Notes</b>
<b>users, preparers, and auditors with the information</b>	require coordination among GAO, IPAs, and preparers.	financial information as similar attest procedures are generally applied.	and specific to acreage, the following results ensued:  –Per Auditors/Consultants: Risk assessments, Tests of controls, Test of controls and substantive tests, inspection of documents and physical inspection of asset.  –Per Others: Inspection of documents, recalculation, scanning, and inquiry.  –Biggest “disconnect” – Physical Inspection of asset.  Task Force 3 April 2017
<b>Benefit/cost ratio of using resources to compile the information as well as ensure accuracy</b>	Even with the long transition period, resources will need to be spent for readiness as we move from RSI to basic.	Agency benefits alone cannot be used to determine cost/benefit. Both tangible and intangible benefits to users as well as meeting the reporting objectives must also be considered.	Please note that some auditors have stated the non-recurring costs of auditing acreage. That is, after the initial period of establishing a baseline audit effort is expected to drop.

## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

	<b>Lower (implies RSI)</b> Information to accompany basic information. It may be experimental to communicate information that is relevant and important. Also, allows for information that may be expressed in other than financial measures or may not be subject to reliable estimation (par. 73C)	<b>Higher (implies Basic)</b> Information that is essential for the financial statements and notes to be presented in conformity with GAAP (par. 73B)	<b>Staff Notes</b>
			<p>Furthermore, preparers have also noted the infrequency of land acquisitions/disposals.</p> <p>In analyzing cost-benefit considerations, staff advises that we look at SFFAC 1's discussion entitled, <i>"Dual Focus On Internal And External Users."</i> The Board made the following (paraphrased) points: 1. The Board has a dual focus perspective and must consider both external and internal users because it is the agent of officials who, in turn, are agents of the public. 2. Virtually all-federal financial information is of interest to at least some segments of the public. 3. There could be a danger of emphasizing "comparable consistency" for uniform reporting to users who</p>

## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

	<b>Lower (implies RSI)</b> Information to accompany basic information. It may be experimental to communicate information that is relevant and important. Also, allows for information that may be expressed in other than financial measures or may not be subject to reliable estimation (par. 73C)	<b>Higher (implies Basic)</b> Information that is essential for the financial statements and notes to be presented in conformity with GAAP (par. 73B)	<b>Staff Notes</b>
			<p>want comparable information across agencies. This might interfere with “relevant customization” of information systems to meet the unique needs of agencies in response to their specific environments.</p> <p>4. Administrative resources for information processing systems are limited and because new systems take time to install, externally imposed requirements for comparable consistency could compete with addressing internally perceived needs for relevant customization. The Board acknowledges this trade-off. This is just one of many cost-benefit factors that the Board will need to consider as it addresses each specific issue in subsequent projects.</p> <p>5. Individual preparers are aware of the costs they incur</p>

## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

	<b>Lower (implies RSI)</b> Information to accompany basic information. It may be experimental to communicate information that is relevant and important. Also, allows for information that may be expressed in other than financial measures or may not be subject to reliable estimation (par. 73C)	<b>Higher (implies Basic)</b> Information that is essential for the financial statements and notes to be presented in conformity with GAAP (par. 73B)	<b>Staff Notes</b>
			to produce information but often are not aware of the potential benefit of producing that information. Neither are they in a position to establish standards that would produce such information.  Ref: SFFAS 1, par. Paragraphs 242 through 247.
<b>Connection with basic financial statements</b>	Any conceivable connection between land information in the Notes and non-recognized G-PP&E land would be non-existent.	Both SL and G-PP&E land will continue to be shown on the balance sheet but at zero value. As such, it is appropriate to have disclosures accompanying SL and G-PP&E land	64% of the task force believed that reporting on Land relative to FASAB's reporting objectives needed to be improved.  Ref: 3 June 2016 Q5.
<b>Reliability and/or precision possible</b>	Estimating acres has not been done before and absent materiality guidance, will lead to significant preparer and audit burden. RSI will avoid such burden.	First, permitting an RSI transition period will help avoid significant preparer and audit burden. Second, data integrity generally improves the overall data quality.	One of this Board's overarching goals is to improve data quality and to do so through the standards-setting process. Surveyors note that absent

## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

	<b>Lower (implies RSI)</b> Information to accompany basic information. It may be experimental to communicate information that is relevant and important. Also, allows for information that may be expressed in other than financial measures or may not be subject to reliable estimation (par. 73C)	<b>Higher (implies Basic)</b> Information that is essential for the financial statements and notes to be presented in conformity with GAAP (par. 73B)	<b>Staff Notes</b>
			<p>actual land surveys, acreage estimates will never be precisely correct because (1) underlying plats or surveys of different vintages often contain errors and (2) modern day surveyors use discrete definitions and finite tolerances. Nevertheless, reasonable acreage estimates can be made without actual land surveys.</p> <p>Ref: National Society of Professional Surveyors; 16 July 2020 Interview with Mr. Curtis W. (Curt) Sumner; Executive Director.</p> <p>The Bureau of Land Management's policy when performing re-surveys of existing land measures is to not adjust the underlying survey or plat unless there is a difference greater than 5.0%.</p>

## CONSIDER IF PREDOMINANT USE SUB-CATEGORIZATIONS SHOULD PERMANENTLY STAY IN RSI

	<b>Lower (implies RSI)</b> Information to accompany basic information. It may be experimental to communicate information that is relevant and important. Also, allows for information that may be expressed in other than financial measures or may not be subject to reliable estimation (par. 73C)	<b>Higher (implies Basic)</b> Information that is essential for the financial statements and notes to be presented in conformity with GAAP (par. 73B)	<b>Staff Notes</b>
			Ref: 19 July 2020 Interview with a BLM Land Surveyor.

- **Staff Recommendation** - Consistent with the Board's draft SFFAS position that recognizes the importance of this information to users, **staff suggests retaining the current disclosure and presentation requirements subject to further review during the transition period.**

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## CLARIFICATION ON LAND OWNERSHIP RECORDS AND TITLE IMPLICATIONS

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### CLARIFICATION ON LAND OWNERSHIP RECORDS AND TITLE IMPLICATIONS

The Board has consistently maintained the position that (1) nonconventional audit documentation is appropriate for management's ownership assertion and (2) the accounting standards should not address audit requirements. Throughout the project, members have supported addressing these matters in the basis for conclusions (BFC).

Additionally, at the December 2017 meeting the Board reviewed the results of the task force's work (preparers and auditors/consultants) concerning what would constitute acceptable audit evidence when meeting the ownership assertion.

In essence, the task force answered the following question, *"If evidence such as a deed is lacking, what other types of audit support would be in-play?"* They answered the following:

- Contracts, agreements, or other records of sales that indicate that the agency has acquired the land
- Length of time that the acreage has been controlled by the agency. This might indicate no claims by others for the land.
- Whether the acreage is surrounded or next to other land, for which the agency has documentation. Proximity might indicate that the land was acquired with the other parcels.
- Public law, treaties or administrative orders showing ownership.
- Statutory reference, policy or management decisions, project appropriations history, public land orders

At the December 2017 meeting, members noted that the accounting standards should not address audit requirements but instead address such matters in the basis for conclusions and specifically note what the Board considers reasonable support for those estimates.

In connection with this decision, please refer to the relevant Board discussions concerning supporting documentation and related implementation matters in the following draft SFFAS BFC paragraphs:

**Supporting Documentation – A9d, A35 and A36** – For example, the Board notes that:

- **A9d** - 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

## CLARIFICATION ON LAND OWNERSHIP RECORDS AND TITLE IMPLICATIONS

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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. This will enable the Board to evaluate implementation and identify and address any issues as they arise.**

- **A35** - TR 9 makes the point that records and detailed listings from these periods (that is, prior acquisition periods) generally do not exist. As a result, **the Board concluded 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** - For example, **ownership can be evidenced by public law, treaties, entity certifications, maintenance or renovation contracts, historical maintenance records, a history of payment of invoices, minutes of meetings, historical databases, initial surveys of land, a history of past/historical practices (for example, the length of time an entity controls the land establishing de facto ownership), or other relevant sources of information**. These alternatives may provide acceptable evidence of government ownership. Entities could use the above forms of supporting documentation to reasonably estimate acres or rely on management tools such as geospatial information. **The Board expects preparers to apply a variety of documented methods and techniques in arriving at estimates.**

**Implementation and Effective Date – A38** - For example, the Board notes that for:

- Fiscal Years 2022 and 2023 that **GAO plans to develop and issue audit guidance**, in cooperation with the Council of the Inspectors General on Integrity and Efficiency (CIGIE), for auditing total acreage and acreage by predominant use sub-categories.
- Fiscal Year 2025 **the Board plans to complete its assessment of remaining implementation issues associated with preparation and audit of the RSI** (both total acreage and predominant use sub-categories), and, as appropriate, develop and implement appropriate take actions to address them, before the RSI requirements transition to the notes.
- **Staff Recommendation** –Staff does not recommend any further action at this time pursuant to the Board deliberations as reflected in the draft SFFAS Basis

## CLARIFICATION ON LAND OWNERSHIP RECORDS AND TITLE IMPLICATIONS

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for Conclusions and its plans to assess the implementation challenges prior to RSI converting to Basic.

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## CLARITY ON ESTIMATED ACREAGE

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### CLARITY ON ESTIMATED ACREAGE

Surveyors note that absent actual land surveys, acreage estimates will never be precisely correct because (1) underlying plats or surveys of different vintages (this is, 1800's, 1950's/60's, etc.) often contain errors and do not necessarily align with one another and (2) modern day surveyors use discrete definitions and finite tolerances.

Nevertheless, reasonable acreage estimates can be made without performing actual land surveys and such estimates should be sufficient for general –purpose reporting. Moreover, concerning the establishment of a materiality threshold, the Bureau of Land Management's policy when performing re-surveys of existing land measures is to not adjust the underlying survey or plat unless there is a difference greater than 5.0%.

For example, in order to help relieve preparer burden and audit effort, the draft SFFAS can specify the following in the Basis for Conclusions in connection with estimating acreage:

Estimated acreage can be based on different underlying sources of data to include for example, traditional and/or geospatial mapping, historical records, surveys, plats, etc., or any combination thereof. Additionally, given the diverse nature of how land has been acquired into the public domain, information from different vintages or time-periods would be expected. Acreage estimates do not need to be adjusted for insignificant amounts of: in-holdings<sup>4</sup>, intra-agency shared lands, or acquisitions or disposal of land. Estimates can be based on different underlying sources of data using different measurement and/or mapping methods and can be deemed reasonable within a tolerance level of up to 5.0% applied at the highest level of aggregation as defined by management.

**Staff Recommendation – Other than clarifying in the Basis for Conclusions the Board's expectation concerning acreage estimates as shown above, staff does not recommend any further action at this time** pursuant to its plans to assess the implementation challenges prior to RSI converting to Basic.

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<sup>4</sup> In-holdings - An in-holding is privately owned land inside the boundary of a national park, national forest, state park, or similar publicly owned, protected area. Inholdings result from private ownership of lands prior to the designation of the protected park or forest area, which then end up grandfathered within the legally designated boundary. Source: [www.definitions.net/definition/inholding](http://www.definitions.net/definition/inholding)

## NEXT STEPS

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## NEXT STEPS

Pending Board deliberations, staff expects the Board to finalize its deliberations early in fiscal year 2021.

## PROPOSED PROJECT TIMELINE

### ➤ **October – November 2020**

- Review and approve revised draft
- Prepare and review pre-ballot

### ➤ **December 2020 - January 2021**

- Ballot final SFFAS
- Begin 90 day Principal and 30 day Congressional reviews

## QUESTIONS FOR THE BOARD

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### QUESTIONS FOR THE BOARD

#### Question 1 – Out-of-Scope Issues

Staff has identified Tribal Land, Easements and the Outer-Continental Shelf (submerged lands) as being out of this project's scope. Accordingly, staff suggests that no further effort at this time be expended in these areas.

1. **Tribal Land** – please see Question 2 below.
  - Refer to: Executive Summary page 4 and Memorandum page 13
2. **Easements** – the Board agreed not to pursue land rights in the Land project due to their immateriality and the prohibitive cost of separating them from the underlying land holding. Further, the Board opined that land rights are intangible assets.
  - Refer to: Executive Summary page 8 and Memorandum page 22
3. **Submerged Lands** - FASAB defines “land” as the solid part of the surface of the earth and excludes natural and renewable resources including the outer-continental shelf.
  - Refer to: Executive Summary page 8 and Memorandum page 22

#### Question 1

**Does the Board agree with the staff recommendation to not expend any additional effort on two items listed above? If not, please explain your rationale.**

#### Question 2: Enhancements to the draft SFFAS

Staff has identified the following topics that could benefit from additional clarification in light of June 2020 panel discussion:

1. **Tribal Land** – add exemption language to Scope paragraph
  - Refer to: Executive Summary page 4 and Memorandum page 13

## QUESTIONS FOR THE BOARD

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2. **Commercial Use Definition** – add language clarifying that revenues are not limited to only profit producing activities
  - Refer to: Executive Summary page 7 and Memorandum page 20
3. **Systems Integration** - clarify in the Basis for Conclusions that system integration is not required
  - Refer to: Executive Summary page 7 and Memorandum page 21
4. **Estimated Acreage** – clarify that estimates can be based on different underlying sources of data, do not have to account for items such as in-holdings or insignificant additions/subtractions of land and be deemed reasonable within a tolerance level of up to 5.0%
  - Refer to: Executive Summary page 11 and Memorandum page 40

### Question 2

**Does the Board agree with each of the staff recommendations shown above? If not, please explain your rationale and provide staff with any suggested edits/changes.**

### Question 3: Predominant Use – Assess During Implementation Guidance.

**Please refer to Executive Summary page 4 and Memorandum page 14.**

Staff has developed a draft definition for predominant (as modified by the Board) use and four major groups with associated factors which are designed to facilitate a predominant use assessment. Practical benefits to practitioners can be expected with the additional guidance that is designed to help them assess predominant use.

Staff recommends that in consultation with the implementation land task force, at the appropriate time we issue Implementation Guidance adopting the Board's Predominant Use definition accompanied by the four major groups of associated factors designed to facilitate a predominant use assessment

### Question 3

**Does the Board agree with the proposed predominant use definition and the four major groups and associated factors for use as Implementation Guidance? If not, please explain why and note what changes or revisions you would suggest.**

## QUESTIONS FOR THE BOARD

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### **Question 4: Multi-Use Land - Assess During Implementation Guidance.**

**Please refer to Executive Summary page 5 and Memorandum page 14.**

Staff does not recommend any further action at this time pursuant to the Board's plans to assess the implementation challenges prior to RSI converting to Basic. As such, staff suggests that if at that time the Board decides to stay the course and transition RSI to Basic, staff suggests adding a fourth, sub-category for those land holdings considered multi-use where no predominant use can be ascertained by the entity. However, if the Board were to decide not to transition the RSI information, staff does not advise use of a fourth sub-category.

#### **Question 4**

**Does the Board agree with staff's recommendation to address this issue during the transition phase? If not, please explain why and note what changes or revisions you would suggest.**

**In addition, what do members think about the creation of a 4<sup>th</sup> sub-category in light of where such information may ultimately reside?**

### **Question 5: Materiality - Assess During Implementation Guidance.**

**Please refer to Executive Summary page 6 and Memorandum page 17.**

Staff does not recommend any further action at this time. In accordance with the Board's decision, and in-step with any action that GAO may take in this regard, issue Implementation Guidance consistent with the above materiality discussion as appropriate.

#### **Question 5**

**Does the Board agree with staff's recommendation to address this issue during the transition phase? If not, please explain why and note what changes or revisions you would suggest. If not, please explain why and note what changes or revisions you would suggest.**

## QUESTIONS FOR THE BOARD

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### **Question 6: Basic versus RSI - Assess During Implementation Guidance.**

**Please refer to Executive Summary page 9 and Memorandum page 23.**

Consistent with the Board's draft SFFAS position that recognizes the importance of this information to users, staff suggests retaining the current disclosure and presentation requirements subject to further review during the transition period.

#### **Question 6**

**Does the Board agree with staff's recommendation to address this issue during the transition phase? If not, please explain why and note what changes or revisions you would suggest. If not, please explain why and note what changes or revisions you would suggest.**

### **Question 7: Land Ownership - Assess During Implementation Guidance.**

**Please refer to Executive Summary page 10 and Memorandum page 37.**

Staff does not recommend any further action at this time pursuant to the Board deliberations as reflected in the draft SFFAS Basis for Conclusions and its plans to assess the implementation challenges prior to RSI converting to Basic.

#### **Question 7**

**Does the Board agree with staff's recommendation to address this issue during the transition phase? If not, please explain why and note what changes or revisions you would suggest.**

## Summary of Questions for the Board

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### Summary of Questions for the Board

**Question 1** - Does the Board agree with the staff recommendation to not expend any additional effort on two items listed above (easements and submerged land)? If not, please explain your rationale.

**Question 2** - Does the Board agree with each of the staff recommendations<sup>5</sup> shown above? If not, please explain your rationale and provide staff with any suggested edits/changes.

**Question 3** - Does the Board agree with the proposed predominant use definition and the four major groups and associated factors for use as Implementation Guidance? If not, please explain why and note what changes or revisions you would suggest.

**Question 4** - Does the Board agree with staff's recommendation to address this issue during the transition phase? If not, please explain why and note what changes or revisions you would suggest. In addition, what do members think about the creation of a 4th sub-category in light of where such information may ultimately reside?

**Question 5** - Does the Board agree with staff's recommendation to address this issue (materiality) during the transition phase? If not, please explain why and note what changes or revisions you would suggest. If not, please explain why and note what changes or revisions you would suggest.

**Question 6** - Does the Board agree with staff's recommendation to address this issue (Basic versus RSI) during the transition phase? If not, please explain why and note what changes or revisions you would suggest. If not, please explain why and note what changes or revisions you would suggest.

**Question 7** - Does the Board agree with staff's recommendation to address this issue during the transition phase? If not, please explain why and note what changes or revisions you would suggest.

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<sup>5</sup> 1. Tribal Land – add exemption language to Scope paragraph; 2. Commercial Use Definition – add language clarifying that revenues are not limited to only profit producing activities; 3. Systems Integration - clarify in the Basis for Conclusions that system integration is not required; and 4. Estimated Acreage – clarify that estimates can be based on different underlying sources of data, do not have to account for in-holdings or insignificant (5.0% or less) additions/subtractions of land

## Accounting and Reporting of Government Land

Note: This August 2020 Draft SFFAS is identical to the June 2020 pre-ballot draft except for conforming date change edits reflecting the COVID-19 extension.

WORKING DRAFT SFFAS  
DM 1488713 v2B (Formerly 1191522 v2C)

## APPENDIX 1- Applying Materiality in Practice

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### APPENDIX 1 - Applying Materiality in Practice

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#### <sup>i</sup> Applying Materiality in Practice – 4 step process

An entity may find it helpful to follow a systematic process in making materiality judgements when preparing its financial statements. The four-step process described in the following paragraphs is an example of such a process.

**Step 1 - Identify.** Identify information that has the potential to be quantitatively or qualitatively material. An entity identifies information about its transactions, other events and conditions that users might need to understand to make decisions about (1) how well the entity is meeting its financial reporting and performance objectives and (2) providing resources to the entity.

**Step 2 - Assess.** Assess whether the information identified in Step 1 is in fact material. For example, in making this assessment the entity needs to consider whether its users could reasonably be expected to be influenced by the information when making decisions about an entity's compliance with its financial and performance objectives or if such users would question the amount of resources provided to the entity on the basis of the financial statements. An entity might conclude that an item of information is material for various reasons. Those reasons include the item's nature or size, or a combination of both, judged in relation to the particular circumstances of the entity. Therefore, making materiality judgements involves both quantitative and qualitative considerations. It would not be appropriate for the entity to rely on purely numerical guidelines or to apply a uniform quantitative threshold for materiality.

**Step 3 - Organize.** Organize the information within the draft financial statements in a way that communicates the information clearly and concisely to users. Classifying, characterizing and presenting information clearly and concisely makes the information understandable and avoids misstating or obscuring information that could be reasonably expected to influence users. For example, entities should:

- (a) emphasize material matters;
- (b) tailor information to the entity's own circumstances;
- (c) describe the entity's transactions, other events and conditions as simply and directly as possible without omitting material information and without unnecessarily increasing the length of the financial statements;
- (d) highlight relationships between different pieces of information;
- (e) provide information in a format that is appropriate for its type, for example, tabular or narrative;
- (f) provide information in a way that maximizes, to the extent possible, comparability among entities and across reporting periods;

## Applying Materiality in Practice

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- (g) avoid or minimize duplication of information in different parts of the financial statements; and
- (h) ensure material information is not obscured by immaterial information

**Step 4 - Review.** Review the draft financial statements to determine whether all material information has been identified and materiality considered from a wide perspective and in aggregate, on the basis of the complete set of financial statements. An entity needs to assess whether information is material both individually and in combination with other information contained in the financial report. Even if information is judged not to be material on its own, it might be material when considered in combination with other information in the complete set of financial statements.

When reviewing its draft financial statements, an entity should determine whether all material information has been provided in the financial statements, and with appropriate prominence. For example, in performing this review the entity considers whether:

- (a) all relevant relationships between different items of information have been identified. Identifying new relationships between information might lead to that information being identified as material for the first time.
- (b) items of information that are individually immaterial, when considered together, could nevertheless reasonably be expected to influence users' decisions.
- (c) the information in the financial statements is communicated in an effective and understandable way, and organized to avoid obscuring material information.
- (d) the financial statements provide a fair presentation of the entity's financial position and results of operation.

The review may lead to: (a) additional information being provided in the financial statements; (b) greater disaggregation of information that had already been identified as material; (c) information that had already been identified as immaterial being removed from the financial statements to avoid obscuring material information; or (d) information being reorganized within the financial statements.

The review in Step 4 may also lead an entity to question the assessment performed in Step 2 and decide to re-perform that assessment. As a result of re-performing its assessment in Step 2, the entity might conclude that information previously identified as material is, in fact, immaterial, and remove it from the financial statements. The output of Step 4 is the final financial statements.

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Federal Accounting Standards Advisory Board

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# ACCOUNTING AND REPORTING OF GOVERNMENT LAND

**Statement of Federal Financial Accounting Standards 59**

August XX, 2020

**WORKING DRAFT SFFAS**

DM 1488713 v2B (Formerly 1191522 v2C)

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## THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

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

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

Additional background information is available from FASAB or its website:

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

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## SUMMARY

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The objective of this Statement is to ensure consistent accounting treatment and reporting for land holdings.

This Statement sets forth the Federal Accounting Standards Advisory Board's (FASAB or "the Board") agreement with those in the financial reporting community who noted the importance of having accounting standards that provide relevant, reliable, and consistent information concerning the government's land holdings.

The Board determined that the vast holdings and uses of federal land cannot adequately be conveyed to the public through monetary measurements. Specifically, limitations inherent in valuations such as passage of time and inflation make historical cost less relevant to users. Alternative methods needed to routinely appraise or corroborate over 622 million acres of land are impractical and cost prohibitive. Instead, the Board concluded that, consistent with its conceptual framework, reporting estimated acres increases transparency, comparability, consistency, and reliability of land information while either avoiding or at least significantly minimizing burden and costs that would otherwise be borne if monetary measures were used to recognize land on the balance sheet.

Prior to the issuance of this Statement, federal accounting standards required the capitalization of the historical cost of general property, plant, and equipment (G-PP&E) land and disclosures regarding restrictions on the use or convertibility of G-PP&E to include G-PP&E land. Similarly, prior to this Statement federal accounting standards required the expensing of stewardship land (SL) for the period in which the acquisition cost was incurred and disclosures on the relationship between SL and the entity's mission, the entity's SL policies, major categories of SL use, and physical units of SL.

This Statement's principal requirements include:

- Reclassifying 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 without an asset dollar amount
- Reporting estimated acres of G-PP&E land and SL using three predominant use sub-categories
  - Conservation and preservation land
  - Operational land
  - Commercial use land
- Reporting estimated acres of land held for disposal or exchange
- Reporting land rights information, whether such rights are permanent or temporary, and amounts paid during the year to maintain such rights

## MATERIALITY

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The provisions of this Statement need not be applied to immaterial items. A misstatement, including omission of information, is material if, in light of surrounding facts and circumstances,

it could reasonably be expected that the judgment of a reasonable user relying on the information would change or be influenced by the correction or inclusion of the information.

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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:<sup>1</sup>
  - a. SFFAS 6, *Accounting for Property, Plant, and Equipment*
  - b. SFFAS 29, *Heritage Assets and Stewardship Land*
  - c. SFFAS 32, *Consolidated Financial Report of the United States Government Requirements: Implementing Statement of Federal Financial Accounting Concepts 4 "Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government"*
  - d. SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*
  - e. SFFAS 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32*
  - f. SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*<sup>2</sup>

### 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 general property, plant, and equipment (G-PP&E) category but are not to be capitalized.
  - a. Paragraph 25 is amended as follows:

25. Land and permanent land rights<sup>28.1</sup> acquired for or in connection with other general PP&E<sup>29</sup> shall be included in are considered general PP&E but are not to be capitalized on the balance sheet. General PP&E land shall exclude (1) withdrawn public lands<sup>29.1</sup> or (2) land restricted for conservation, preservation, historical, or other like restrictions. Such land shall remain categorized as stewardship land (SL). ~~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~~

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

<sup>2</sup> Amendments to SFFAS 50, a Statement which amended SFFAS 6, will be incorporated by reference as reflected in the SFFAS 6 amendments contained herein.

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 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, devise,<sup>40.1</sup> or judicial process shall be capitalized.

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

- d. Paragraph 35 is amended as follows:

35. Depreciation expense is calculated through the systematic and rational allocation of the cost of general PP&E, less its estimated salvage/residual value, over the estimated useful life of the general PP&E. Depreciation expense shall be recognized on all general

PP&E,<sup>41</sup> except land and permanent land rights, which shall be expensed as incurred of unlimited duration.<sup>42</sup> [no changes to the list that follows]

FN 41 – Software [See SFFAS 10 for standards 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 are depreciated/amortized include buildings and structures, furniture and fixtures, equipment, and vehicles, and land.

4. This paragraph amends paragraph 40 by providing guidance for establishing opening balances consistent with the amended reporting requirements for 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 was applied, the reporting entity should prospectively capitalize and depreciate or amortize newly acquired ~~expense future land and temporary~~ land rights ~~acquisitions~~.

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

40.h.ii. A component reporting entity electing to apply the provisions of paragraph 40.f.i. to land and temporary land rights should disclose this fact and describe the alternative methods used in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items, are presented fairly in accordance with GAAP. ~~A component reporting entity electing to exclude land and land rights from its general PP&E opening balances must disclose, with a reference on the balance sheet to the related disclosure, the~~

number of acres held at the beginning of each reporting period, the number of acres added during the period, the number of acres disposed of during the period, and the number of acres held at the end of each reporting period. A reporting entity electing to exclude land and land rights from its general PP&E opening balance should continue to exclude future land and land rights acquisition amounts and provide the disclosures. 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. Two paragraphs that add disclosure requirements applicable to G-PP&E land are inserted immediately following paragraph 45:

45A. The following disclosures<sup>46.1</sup> should be provided regarding G-PP&E land and permanent land rights:

- a. A concise statement explaining how land relates to the mission of the entity.
- b. A brief description of the entity's policies for land. 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 estimated 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.

FN 46.1 – 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; operational land; and commercial use land.

45B. G-PP&E land and permanent land rights should reference a note on the balance sheet that discloses information in paragraph 45A (a through e), but no asset dollar amount should be shown. Existing display and disclosures<sup>46,2</sup> should continue during the transition period and cease in fiscal year 2026<sup>4</sup> when the RSI information transitions to note disclosures. If general PP&E land and stewardship land are presented in separate notes to the financial statements, include cross references between the notes.

FN 46.2 – For G-PP&E land and land rights, existing disclosures are those that are in effect prior to the amendments contained in paragraph 45A. They include disclosures required by paragraph 40.h 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. [No change to the list that precedes this text.]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.<sup>24,1</sup> Disposal includes conveyances of federal land to non-federal entities not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.

FN 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;

**Commented [SDN1]:** S. Harper June 9 email - Should this be 2026? "As a result, the effective date along with the RSI transition dates were changed at Paragraphs 14 and 15 to reflect the one year COVID-19 extension; that is the Statement would not become effective until FY 2022 with a transition to note disclosures beginning in FY 2026."

Staff: Correct. Thank you.

- 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
- Local Native American or ethnic cultural sites

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

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

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

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

- a. Paragraph 33 is amended as follows:

33. Stewardship Land ~~is~~ includes both public domain<sup>14.1</sup> and acquired land and land rights<sup>15</sup> owned by the Federal Government intended to be held indefinitely. ~~but not acquired for or in connection with<sup>16</sup> items of general PP&E.~~ Examples of stewardship land include land reserved, managed, planned, used, or acquired for<sup>16</sup> ~~as forests and parks, and land used for wildlife and grazing.~~

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

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

- b. Paragraph 35 is amended as follows:

35. Land and land rights ~~owned by the Federal Government and acquired for or in connection with items of~~ meeting the definition of general PP&E established in SFFAS 6, as amended, should be accounted for in accordance with SFFAS 6, as amended. ~~and reported as general PP&E.~~

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

39. Transfers of stewardship land from one Federal entity to another, does not affect the net cost of operations or net position of either entity. ~~However, in some cases, land included in general PP&E may be transferred to an entity for use as stewardship land. In this instance, the transferring and recipient entity/entities should properly adjust for estimated acres of land information~~ recognize a transfer out of capitalized assets.<sup>20</sup>

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

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

Paragraph 40 is amended and a new paragraph 40A is added as follows:

40. ~~Entities with stewardship land should reference a note<sup>21</sup> on the balance sheet that discloses information about stewardship land, but no asset dollar amount should be shown. The note disclosure related to stewardship land should provide the following: The following disclosures<sup>21-21.1</sup> should be provided for stewardship land and permanent land rights:~~

- 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.~~
- e. ~~A concise description of each major category of stewardship land use. Where parcels of land have more than one use, the predominant use of the land should be considered the major use. In cases where land has multiple uses, none of which is predominant, a description of the multiple uses should be presented. The appropriate level of categorization of stewardship land use should be meaningful and determined by the preparer based on the entity's mission, types of stewardship land use, and how it manages the assets.~~
- d. ~~Stewardship land should be quantified in terms of physical units. The appropriate level of aggregation and physical units of measure for each major category of stewardship land use should be meaningful and determined by the preparer based on the entity's mission, types of stewardship land use, and how it manages the assets. For each major category of stewardship land use the following should be reported:~~
  1. ~~The number of physical units by major category of stewardship land use for which the entity is the steward as of the end of the reporting period;~~
  2. ~~The number of physical units by major category of stewardship land use that were acquired and the number of physical units by major category of stewardship land use that were withdrawn during the reporting period; and~~

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

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.
- b. A brief description of the entity's policies for stewardship land. 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 estimated number of acres at the end of each reporting period for land and permanent land rights.
- 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.

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.

FN 21.1 – Unless otherwise noted, disclosure requirements are limited to the stewardship land category and are not required for each of the three sub-categories of conservation and preservation land; operational land; and commercial use land.

40A. Stewardship land and permanent land rights should reference a note on the balance sheet that discloses information in paragraph 40 (a through e), but no asset dollar amount should be shown. Existing disclosures<sup>21,2</sup> should continue during the transition period and cease in fiscal year 2026<sup>4</sup> when the RSI information transitions to

**Commented [SDN2]:** S. Harper 9 June conforming date change edit to reflect the one year COVID-19 extension.

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

FN 21.2 – For stewardship land, existing disclosures are those required by paragraph 40, titled “Disclosures and Required Supplementary Information” that are being rescinded (40.a through 40.d.3) effective fiscal year 20264. To the extent practical, duplication of information, such as statements explaining how stewardship land 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.

**Commented [SDN3]:** S. Harper 9 June conforming date change edit to reflect the one year COVID-19 extension.

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.<sup>17.1</sup> Disposal includes conveyances of federal land to non-federal entities not limited to sale, transfer, exchange, lease, public-private partnership, and donation, or any combination thereof.

FN 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
- 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 paragraph 42 of SFFAS 29, which addresses the U.S. government-wide financial statement disclosures. Amendments will now require presentation of estimated acres of land by category. Paragraph 42 is amended and paragraph 42A is added as follows:

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

- a. A concise statement explaining how 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.

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<sup>25.1</sup> should continue during the transition period and cease in fiscal year 2026<sup>4</sup> when the RSI information transitions to note disclosures. If stewardship land and general PP&E land are presented in separate notes to the financial statements, include cross references between the notes.

FN 25.1 – Existing disclosures at paragraph 42 are those which are in effect for reporting entities prior to the amendments contained at paragraphs 42 and 42A. To the extent practical, duplication of information, such as statements explaining how stewardship land 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.

**Commented [SDN4]:** S. Harper 9 June conforming date change edit to reflect the one year COVID-19 extension.

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 and paragraph 23A is added as follows:

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

- a. ~~a~~ A broad description of PP&E,
- b. For general PP&E land
  - i. A note on the balance sheet that discloses information FN1 about general PP&E land and permanent land rights which includes:
    1. A concise statement explaining how general PP&E land relates to the mission of the Federal government
    2. 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
- c. ~~b. t~~ The cost (excluding land and permanent land rights), associated accumulated depreciation, and book value by major class, and
- d. ~~c. a~~ A general reference to agency component entity reports for additional information about general PP&E and general PP&E land.

23A. The balance sheet should reference a note that discloses the information<sup>2.1</sup> about general PP&E land and permanent land rights required by paragraph 23, but no asset dollar amounts should be shown. Existing display and disclosures<sup>2.2</sup> should continue during the

transition period and cease in fiscal year 2026<sup>4</sup> when the RSI information transitions to note disclosures. If general PP&E land and stewardship land are presented in separate notes to the financial statements, include cross references between the notes.

**Commented [SDN5]:** S. Harper 9 June conforming date change edit to reflect the one year COVID-19 extension.

FN 2.1 – 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 2.2 – Existing disclosures at paragraph 23 are those which are in effect for government-wide reporting prior to the amendments contained at paragraph 23A.

## 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 under the heading “Expense Recognition.” Footnote 14 is amended as follows:

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

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

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

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

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

- d. Paragraph 296 and footnote 62 discuss sales of property, plant, and equipment. This should include G-PP&E land and permanent land rights. In addition, footnote 62 is amended to conform to SFFAS 23, paragraph 9.d, which rescinded the category “federal

mission property, plant, and equipment.” Paragraph 296 and footnote 62 are amended as follows:

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

FN 62 – 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 intragovernmental transfers of PP&E. This should include G-PP&E land in the requirement. Paragraph 345 is amended as follows:

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

- f. Paragraph 346 discusses intragovernmental 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 9.d, which rescinded the category "federal mission property, plant, and equipment." Paragraph 361 is amended as follows:

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

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

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, as amended, should be included) regardless of the measurement method chosen.

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

- d. Whether DM&R relates solely to capitalized general PP&E and non-capitalized general PP&E land, stewardship PP&E, or also to amounts relating to non-capitalized or fully depreciated general PP&E
- e. Capitalized and non-capitalized general PP&E, ~~and~~ non-capitalized heritage assets, and stewardship land for which management does not measure and/or report DM&R and the rationale for the exclusion

## EFFECTIVE DATE

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14. The requirements of this Statement are effective as RSI for reporting periods beginning after September 30, 202~~0~~<sup>1</sup>. The information required at paragraph 5 (G-PP&E land), paragraph 8 (stewardship land), paragraph 10 (government-wide stewardship land), and paragraph 11 (government-wide G-PP&E land) should be presented as RSI for fiscal years 202~~4~~<sup>2</sup> through 202~~4~~<sup>5</sup> and transition to note disclosures in fiscal year 202~~5~~<sup>6</sup>. Asset dollar amounts for G-PP&E land and permanent land rights should remain on the balance sheet along with existing disclosures and cease in fiscal year 202~~5~~<sup>6</sup> when the RSI information transitions to note disclosures. Existing display and disclosure (balance sheet reference) for stewardship land should continue until fiscal year 202~~5~~<sup>6</sup>.
15. It is the Federal Accounting Standards Advisory Board's (FASAB or "the Board") intent that the information required by this Statement transition to basic information in fiscal year 202~~5~~<sup>6</sup> after being reported as RSI for a period of four years. Prior to the conclusion of the four-year RSI period, the Board plans to make any necessary adjustments to facilitate the transition to basic information. Early adoption is not permitted.

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

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This appendix discusses the 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.

The ensuing paragraphs, beginning with A1 “Project History,” discuss in detail the Board’s basis for conclusions and agreement with those in the financial reporting community, who expressed the need for uniform accounting guidance that addressed the lack of relevant, reliable, and consistent historical cost information and the application of inconsistent measurement approaches.

Prior to the issuance of this Statement, federal accounting standards required the capitalization of the historical cost of G-PP&E land and disclosures regarding restrictions on the use or convertibility of G-PP&E to include G-PP&E land. Similarly, prior to this Statement federal accounting standards required the expensing of SL for the period in which the acquisition cost was incurred and disclosures on the relationship between SL and the entity’s mission, the entity’s SL policies, major categories of SL use, and physical units of SL.

The Board determined that the vast holdings and uses of federal land cannot adequately be conveyed to the public through monetary measurements. Specifically, limitations inherent in valuations such as passage of time and inflation make historical cost less relevant to users. Alternative methods needed to routinely appraise or corroborate over 622 million acres of land are impractical and cost prohibitive. Instead, the Board concluded that, consistent with its conceptual framework, reporting acres increases transparency, comparability, consistency, and reliability of land information while either avoiding or at least significantly minimizing burden and costs that would otherwise be borne if monetary measurements were used to recognize land on the balance sheet.

### PROJECT HISTORY

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- A1. The Board added the accounting and reporting of government land project in February 2016 during its 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; SFFAS 7;<sup>4</sup> SFFAS 29; and SFFAS 50,. The Board’s most notable concerns included the following:

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<sup>4</sup> SFFAS 7 requires that donations made to the government by a nonfederal entity, to include nonfinancial 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.

- 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 does not adequately satisfy FASAB's reporting objectives and qualitative characteristics. For example, physical unit grouping (such as number of parks) 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.
- 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 does not require balance sheet recognition but, instead, requires expensing the land cost when acquired and disclosures regarding policies for land management, categories of land, and physical unit information.
- A4. Most recently, SFFAS 50 allows 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 for both G-PP&E land and SL result in significant differences in accounting treatment for land holdings. Specifically, land acquired during the nation's formation may be used in connection with other general PP&E, but it may not (1) have identifiable acquisition costs, (2) be valued at all, or (3) 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. Furthermore, SL, which accounts for an estimated 97 percent of all land managed by the federal government, is expensed when acquired, not capitalized, leading to yet another significant difference in land treatment.
- 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. The Board

directed staff to identify available options, along with associated benefits and drawbacks. In particular, the Board asked staff to (1) consider user information needs; (2) explore and identify the information agencies use to manage land; (3) identify types of information, such as acres of land, that would help demonstrate the government's stewardship and accountability over federal lands; (4) address whether land held for disposal (for example, sale, public-private partnerships, donated to state and local governments) should be valued; and (5) 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 consistency<sup>5</sup> 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 citizen users.<sup>6</sup> The task force held meetings between June 2016 and April 2017. Participants came from diverse disciplines, such as accounting, auditing, civil engineering, financial reporting, business consulting, and program management. The majority of participants agreed that, 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 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) land reporting options 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

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

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

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 there were limitations inherent in historical cost valuations. Alternative methods needed to routinely appraise or corroborate over 622 million acres of land are impractical and cost prohibitive. Instead, the Board concluded that, consistent with its conceptual framework, reporting acres increases transparency, comparability, consistency, and reliability of land information while either avoiding or at least significantly minimizing burden and costs that would otherwise be borne if monetary measures were used to recognize land on the balance sheet.

To address this, the Board decided to remove such amounts from the balance sheet, expense future acquisitions of land and permanent land rights, treat temporary land rights similarly to leases, and require NFI (number of acres) disclosures. The SFFAS 29 requirement to exclusively use NFI to report federal SL provides a precedent for this approach. 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 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. Had this land not been withdrawn, it would be 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 disclosing acres in a note. 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 stewardship<sup>7</sup> or entity operating performance primarily due to the static nature of the reported dollars (that is, not accounting for inflation or changes in value).<sup>8</sup> In addition, historical cost of land and permanent land rights is not relevant for decision makers.<sup>9</sup>
  - i. Having considered the input of the task force, exposure draft (ED) 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. This is because some agency historical cost records are incomplete or non-existent.
  - ii. Increasing the usefulness and relevance of information can be achieved through the selective use of a measurement attribute (basis) that best

<sup>7</sup> SFFAC 1, *Objectives of Federal Financial Reporting*, par. 134-145.

<sup>8</sup> SFFAC 1, par. 122-133.

<sup>9</sup> SFFAC 1, par. 161 and SFFAC 7, *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording*, par.7.

reflects the measurable characteristic of an asset or liability. Measurement attributes that are commonly used to assign monetary amounts to financial statement elements, such as assets and liabilities, like land include: fair value, settlement amount, replacement cost, value in use, and fulfillment cost. However, alternative measurement approaches, 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 analysis of user needs, as confirmed by the land task force, revealed that presenting the historical cost of land in the financial statements is of limited value to users. Although users would often obtain information from other publicly available sources, these other sources do not reflect audited or verified information. The need for audited information was identified by the majority of task force participants.<sup>10</sup>
  - 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 is more informative to users and best satisfies 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.
  - ii. The Board also concluded that if the reporting entity believes that information about the cost of G-PP&E land and permanent land rights is critical to the understanding of the financial statements, such information may be presented in the note disclosure at the reporting entity's discretion without explicit guidance to do so.
- c. Fair value reporting is 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.<sup>11</sup>
  - i. Citizen users on the task force and some ED 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 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. The Board concluded, instead, that number of acres would be more informative to the general public, Congress, and agency management.

<sup>10</sup> SFFAC 1, par. 158-159.

<sup>11</sup> SFFAC 2, *Entity and Display*, par. 73E.g. and SFFAC 5, par. 7

- 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).<sup>12</sup>
  - 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. This will enable the Board to evaluate implementation and identify and address any issues as they arise.
- e. As discussed in paragraph A9.a.ii, by moving all land to the measurement of acres, the Board concluded 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 increases the qualitative characteristic of understandability. Finally, advancements in geospatial technology facilitate measuring acres more accurately, which contributes to the qualitative characteristic of reliability. The Board concluded that such advancements, assisted by an RSI transition period, will facilitate development of reliable acre information suitable for presentation as basic information.
- f. 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.<sup>13</sup>
  - 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 of non-recognition and use of NFI.
- g. 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.<sup>14</sup>
  - i. The Board concluded that attempting to apply a monetary measurement attribute to the government's vast holdings of land would fail to meet cost-benefit considerations, as well as such key qualitative characteristics as understandability, relevance, and comparability. The Board concluded that reclassifying previously capitalized G-PP&E land costs as expenses

<sup>12</sup> SFFAC 1, par 156, SFFAC 2, par. 73E.e., and SFFAC 4, *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government*, par. 9.

<sup>13</sup> SFFAC 2, par. 73E.

<sup>14</sup> SFFAC 5, par. 8.

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

- h. In conclusion, the Board determined that the vast holdings and uses of federal land cannot adequately be conveyed to the public through monetary measurements. Specifically, limitations inherent in valuations, such as passage of time and inflation, changes in economics (for example, base closures, government relocations), demographic or population shifts (for example, shifting veteran populations, rural development activities), and even climate related issues (for example, 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, reporting acres increases transparency while either avoiding or at least significantly minimizing burden and reporting costs that would otherwise be borne if traditional (that is, monetary based) valuation methods were used for balance sheet recognition.

### Summary of Outreach Efforts and Responses

- A10. The ED was issued April 30, 2018, with comments requested by July 30, 2018. Upon release of the ED, notices and press releases went to the following: the *Federal Register*, FASAB newsletter, 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 following table by respondent type. 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 to issue related disclosure requirements. However, 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 the ED

RESPONDENT TYPE	FEDERAL (Internal)	NON-FEDERAL (External)	TOTAL
Preparers and financial managers	13	-0-	13

<b>Users, academics, others</b>	<b>-0-</b>	<b>3</b>	<b>3</b>
<b>Auditors</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Total</b>	<b>14</b>	<b>4</b>	<b>18</b>

- A13. At the August 2018 Board meeting, the Board decided to extend an invitation to (1) the ED respondents to discuss with the Board their comments on the ED and provide 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 ED respondents accepted the Board's invitation and clarified their comments at the October 2018 Board meeting. Five subject matter experts shared their views at the October 2018 Board meeting 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. The Board considered each response and weighed the merits of the points raised.
- A15. Respondents who agreed with the Board's proposal to reclassify G-PP&E land and permanent land rights noted:
- a. The geographic information system (GIS) can be readily adopted to comply with the reporting requirements for acres and satisfy most auditor concerns.
  - b. Valuation of land is too costly and questionable in light of environmental liabilities.
  - c. There will be little financial statement impact to expensing future acquisitions of G-PP&E land and permanent land rights.
  - d. However, respondents who agreed with reclassifying G-PP&E land and permanent land rights also raised key concerns: (1) the incomparability of physical units creates the 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:
- a. G-PP&E land is an asset that should remain on the balance sheet so as not to distort financial reporting.
  - b. The Board's proposal veers from its conceptual framework by over-emphasizing one asset category over all the others.
  - c. separating a land value from a building value is complicated,

- d. 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.
- e. Audit precision and related burdens are problematic because there are no internal controls over acre information systems.
- f. The effect of expensing G-PP&E acquisitions in the statement of net cost will be significant.
- g. Physical units are not meaningful, and the information already exists in other reports.
- h. Many implementation issues will necessitate additional implementation guidance.
- i. Some rate-setting entities use and require historical cost information concerning land.
- j. Some agency GIS personnel have existing backlogs that take precedent, such as land disputes that will not allow them to satisfactorily support reporting and audit initiatives.

A17. Subject matter experts provided their views on the proposed land ED, which are summarized as follows:

Comments opposing the ED include the following: Data collection should be commensurate with user needs. 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. 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 concluded that the respondent comments and subject matter expert views indicated a need to reconsider certain disclosure requirements, the proposed implementation approach, and the 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 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 uses. As such, the Board concluded 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. Given the cost-benefit constraints, number of estimated acres is best suited in meeting user needs.

- A22. Moreover, to increase the reliability of the reporting of acres, the Board agrees with those respondents supporting that (1) acreage be treated as basic information (note disclosure) and (2) 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.<sup>15</sup> 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 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 three sub-categories predicated on land use for both G-PP&E land and SL: (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, which was issued on 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.

<sup>15</sup> The Board proposed retaining these two categories primarily because (1) G-PP&E land and stewardship land are acquired for two separate, distinct purposes, (2) these two land types are often maintained and used in completely different ways, (3) keeping the two types of land separate promotes transparency, consistency, and understandability and (4) eliminating the distinction between the two land types could have adverse consequences to legislative requirements and/or budget appropriations.

- 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) land management, 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:
- a. Financial reporting systems are not currently designed to capture the newly required information.
  - b. Agencies have spent considerable resources to ensure compliance and auditability; adding more data elements to the reporting requirements contributes to disclosure overload and exacerbates the existing cost burden.
  - c. 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, the Government Accountability Office may issue auditor guidance and the Office of Management and Budget will update its audit bulletin, as necessary.
- 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 concluded 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. Many of the disclosure requirements have been 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:

- a. Eliminating physical unit disclosure requirements
- b. Eliminating the DM&R reference requirement
- 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 requirement to report estimated number of acres by only requiring the beginning and ending balances be presented
- e. 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
- f. 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. The land rights considered permanent are capitalized along with land. SFFAS 50 provided alternative methods for establishing opening balances. Specifically, paragraph 13 (which amended par. 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 concluded 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 from 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. It 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 the financial statements while other entities exclude land and permanent land rights.

Additionally, if the reporting entity believes the cost of G-PP&E land and permanent land rights are critical to the users of financial statements, such information can be presented in the note disclosure. Concerning inseparable land costs, the Board believes that reasonable estimates can be made to identify infrastructure costs apart from land costs to 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 similarly 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, par. 45A) and SL (at SFFAS 29, par. 40), entities may combine the display and/or disclosure for G-PP&E land and permanent land rights and SL. However, 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 CFR (contained at SFFAS 32, par. 23 and SFFAS 29, par. 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 like modern land transactions. TR 9 makes the point that records and detailed listings from these periods generally do not exist. As a result, the Board concluded 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 concluded 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. The Board proposed in the Exposure Draft issued on April 30, 2018, that the disclosure requirements would begin in fiscal year 2021 as RSI and transition to note disclosures with removal of G-PP&E land and permanent land rights from the balance sheet in fiscal year 2024.

The Board considered respondent comments to the exposure draft and interested party views, noting the time needed for reporting entities to:

- a. develop and implement related policies and procedures,
- b. establish estimates of acres and acres by predominant use sub-category as of the beginning of the first year of implementation,
- c. develop and maintain supporting documentation,
- d. develop and implement systems and processes for capturing and recording acreage information (balances and transactions during the year by predominant use sub-category), design and implement appropriate internal controls, and update such systems, processes, and controls as necessary for any updated guidance, and
- e. validate that the required information is independently verifiable or auditable.

Additionally, the Board considered the time needed for:

- The Board to consider implementation issues (e.g. preparation and audit challenges, updated preparation and audit cost information), and through Board deliberations, determine how to best respond to those issues, and
- Developing and issuing preparer and audit guidance relative to non-financial information.

The Board ~~also~~ considered concerns from several respondents and members with respect to the uncertainty of costs associated with preparing and auditing the non-financial information, and the need to obtain better information on implementation challenges and costs.

The Board also considered the potential impacts of the COVID-19 pandemic on agencies' ability to implement this Statement.

In light of the considerations noted above, the Board recognized that additional implementation time was needed to present information in RSI and before transitioning the RSI requirements to the notes. Therefore, the Board extended the presentation in RSI to fiscal year 2022 and the transition of RSI requirements to the notes and the removal of G-PP&E land and permanent land rights from the balance sheet from fiscal year 2024, as proposed in the ED, to fiscal year ~~2025~~2026. The Board believes that the extension should allow adequate time to identify and address implementation challenges while it is reported as RSI.

Given the potential implementation challenges related to this Statement, the Board agreed to include a separate project on its technical agenda to monitor implementation challenges, and to assess the need ~~for, as appropriate, and implementation, as appropriate, of for~~ actions to address those challenges prior to transition of the RSI requirements to the notes. Consistent with Board principles and practice, such actions may include, among other things, staff guidance, AAPC guidance, interpretations, or additional standards, as determined appropriate based on Board deliberations. The Board intends to establish working groups, comprising ~~all~~ stakeholders, including major landholding agencies and users to conduct these assessment and research activities.

In addition, the Board discussed the following proposed timetable, including actions to be taken by preparers and auditors and potential actions to be taken by the Board as well as other entities, as appropriate:

- Fiscal Years ~~2021-2022~~ and ~~2022-2023~~: Presentation of total acreage and acreage by predominant use sub-categories as RSI, ~~as well as identification of implementation issues and, as appropriate, Board actions to address them.~~
- Fiscal Years ~~2021-2022~~ and ~~2022-2023~~: GAO plans to develop and issue audit guidance, in cooperation with the Council of the Inspectors General on Integrity and Efficiency (CIGIE), for auditing total acreage and acreage by predominant use sub-categories.
- Fiscal Years ~~2022-2023~~ and ~~2023-2024~~: Presentation of total acreage and acreage by predominant use sub-categories as RSI, application of audit procedures to RSI and identification of preparation and audit challenges, and as appropriate, Board actions to address them.
- Fiscal Year ~~2024-2025~~: The Board plans to complete its assessment of remaining implementation issues associated with preparation and audit of the RSI (both total acreage and predominant use sub-categories), and as appropriate, develop and implement appropriate take actions to address them, before the RSI requirements transition to the notes.

## Board Approval

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



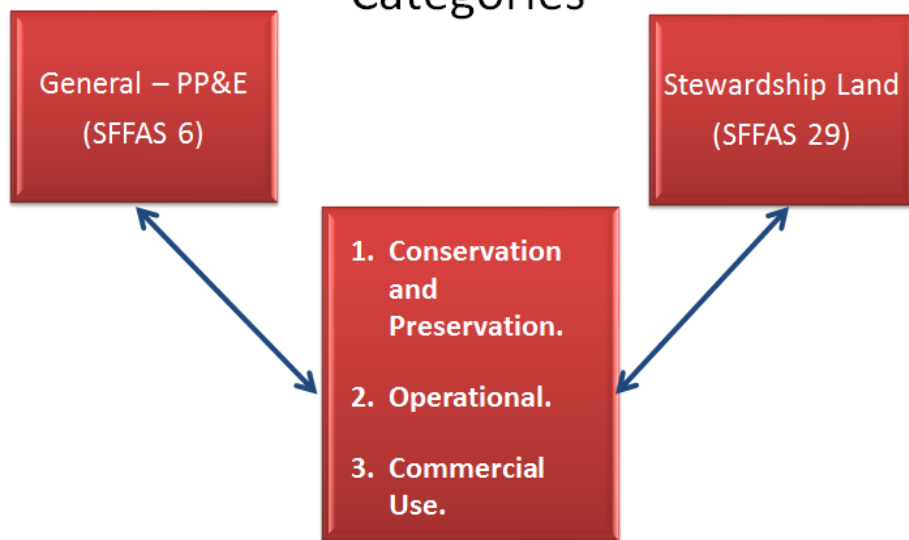
## APPENDIX B: ILLUSTRATIONS

### 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.

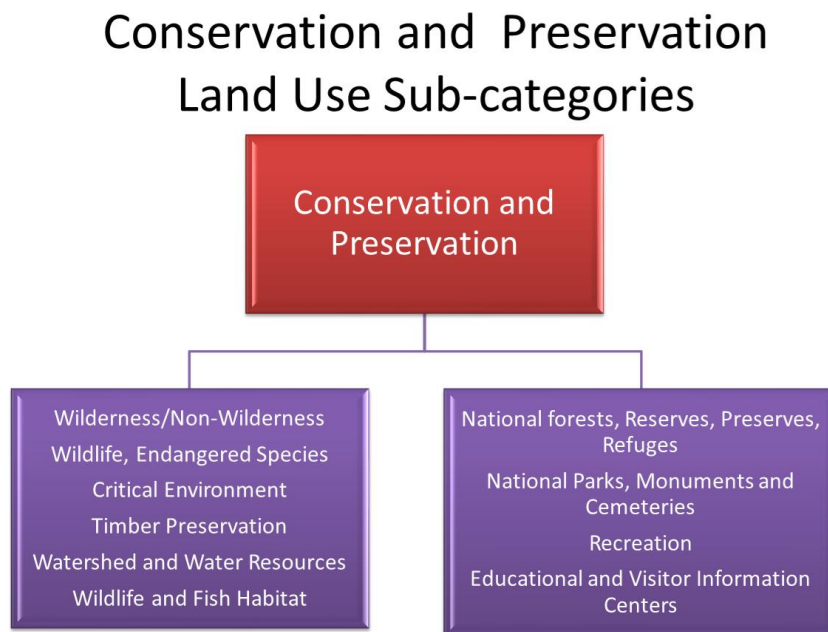
The Board has noted the potential need to have additional sub-categories predicated on predominant land-use to complement the land categories currently in use: SL and G-PP&E land. Illustrations demonstrating how the Board envisions the sub-categories complementing the existing requirements follow:

### Complementing Existing Land Categories



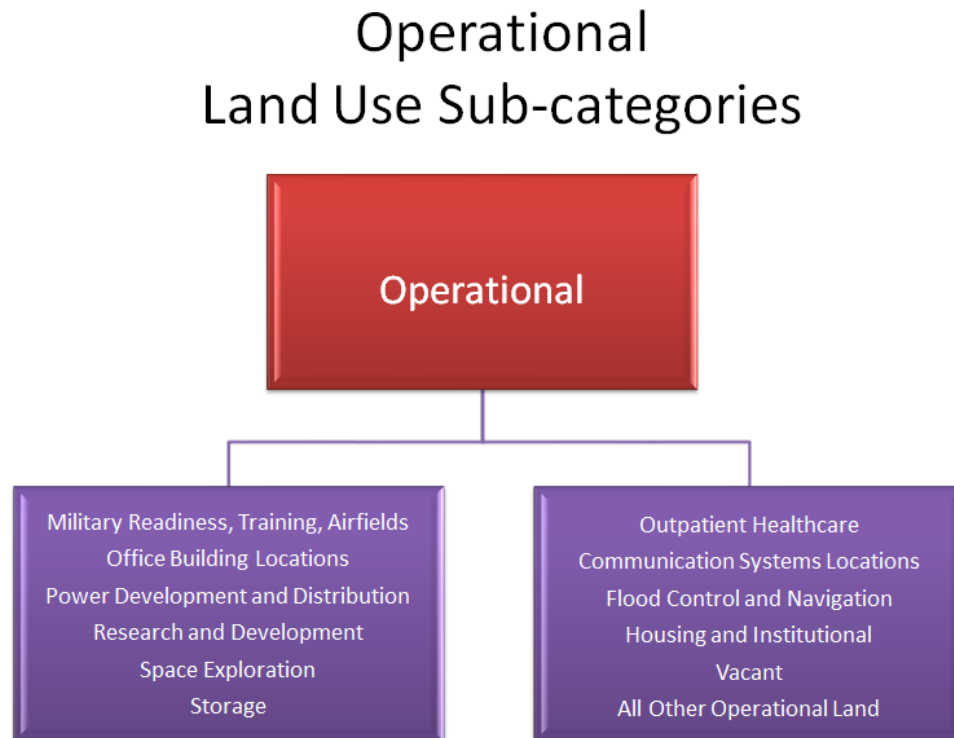
### Conservation and Preservation Land Use Sub-categories

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

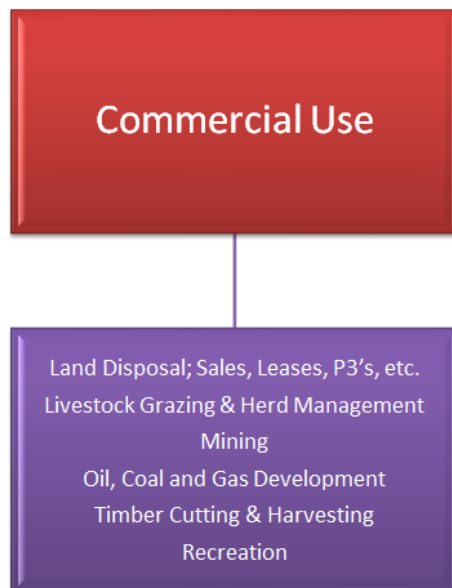
The following illustration shows what sub-categories or activities could be included within the operational land use sub-category.



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

**Explanatory Comments**

- 1 - **Agency X** has reclaimed 2,600,000 acres of its operational land for conservation/preservation purposes.  
Although some of the agency's operational land generates commercial revenue, it is incidental to the land's predominant use and its reporting does not change. All land is managed by 12 regional offices and the agency's land is considered to be active (in current use).
- 2 - **Bureaus A and B** maintain land strictly for operational purposes. Bureau A's land portfolio is managed by 2 district offices (DO's) and all land is considered to be active (in current use). Bureau B's land portfolio is managed by a single district office. Pursuant to statutory requirements, 7,200 acres of Bureau B's managed land located in the district's northwest corridor are held for disposal or exchange.  
All remaining land managed by Bureau B is considered to be inactive (not in current use) awaiting Congressional reviews.

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

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

**Explanatory Comments**

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

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

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

During the year additional SL has been placed in a revenue generating status and appropriately added to the existing Commercial Use sub-category balance.

All land is managed by 2 regional offices that oversee 100 different watershed projects (e.g., drainage basins and catchments).

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

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

All land is managed by 2 regional offices that oversee 20 different energy projects (e.g., nuclear, solar, and water).

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

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

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.

## APPENDIX C: ABBREVIATIONS

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CFR	Consolidated Financial Report of the U.S. Government
DM&R	Deferred Maintenance and Repairs
ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
G-PP&E	General Property, Plant, and Equipment
GIS	Geographic Information System
M&R	Maintenance and Repairs
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.<sup>25</sup> Disposal includes conveyances of federal land to non-federal entities not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.

FN 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.

**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
- Local Native American or ethnic cultural sites

**G-PP&E land** – Land and **permanent** land rights<sup>28.1</sup> acquired for or in connection with other general PP&E<sup>29</sup> **shall be included in are considered general PP&E but are not to be capitalized on the balance sheet. General PP&E land shall exclude (1) withdrawn public lands<sup>29.1</sup> or (2) land**

restricted for conservation, preservation, historical, or other like restrictions. Such land shall remain categorized as stewardship land, unless the reporting entity made the election to implement the provisions of paragraph 40.f.i.. In some instances, general PP&E may be built on existing Federal lands. In this case, the land cost would often not be identifiable. In these instances, general PP&E shall include only land and land rights with an identifiable cost that was specifically acquired for or in connection with construction of general PP&E.

FN 28.1 – Land rights, such as easements or rights-of-way, that are for an unspecified period of time or unlimited duration are considered permanent land rights. Temporary land rights are those land rights that are for a specified period of time or limited duration.

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

FN 29.1 – To the extent consistent with 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.

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

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

**Stewardship land** is ~~includes both public domain<sup>14.1</sup> and acquired~~ land and land rights<sup>15</sup> owned by the Federal Government ~~intended to be held indefinitely, but not acquired for or in connection with<sup>16</sup> items of general PP&E.~~ Examples of stewardship land include land reserved, managed, planned, used, or acquired for<sup>16</sup> as forests and parks, and land used for wildlife and grazing.

- 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.

## APPENDIX E: TASK FORCE MEMBERS

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### **Task Force Member Agencies**

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

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Cotton and Company  
Deloitte  
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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  
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