

Memorandum

SFFAS 59 Briefing

January 29, 2025

To: Members of the Board
From: Domenic Savini, Assistant Director
Thru: Monica R. Valentine, Executive Director
Subject: SFFAS 59, *Land* Briefing: FY 2024 Audits - **Topic D**

OBJECTIVE(S)

The meeting objective is for the Board to consider a briefing from Mr. Dacey concerning what auditors have reported to federal entity management and GAO regarding their fiscal year 2024 audits in relation to SFFAS 59. In turn, FASAB plans to consider actions necessary to address any identified challenges in preparation for the transition of required supplementary information (RSI) requirements to note disclosure requirements in fiscal year 2026.

REQUEST FOR FEEDBACK BY FEBRUARY 14

Prior to the Board's February meeting, please review the attached staff analysis and recommendation and respond to the ensuing questions by February 14.

NEXT STEPS

Pending Board member feedback, staff will review the steps for full implementation of SFFAS 59 and finalize its analysis and recommendations.

ATTACHMENTS

1. Staff Analysis and Recommendation
2. Excerpts from FASAB Non-agenda Memos – Land Implementation/Post-issuance (October 2021 – December 2024)
3. Board Member Comment Form

REFERENCE MATERIALS

1. [SFFAS 59: Accounting and Reporting of Government Land](#)

Staff Analysis

SFFAS 59 Briefing

January 29, 2025
Attachment 1

INTRODUCTION

The Board issued SFFAS 59, *Accounting and Reporting of Government Land*, in July 2021. SFFAS 59 is intended to ensure consistent accounting treatment and reporting for federal land and notes the importance of having accounting standards that provide relevant, reliable, and consistent information concerning federal land. It was the Board's intent that the information required by SFFAS 59 transition to basic information in fiscal year 2026 after being reported as RSI for a period of four years. Given the potential implementation challenges related to SFFAS 59, the Board agreed to monitor its implementation and to assess the need for actions to address any challenges prior to transition of the RSI requirements to the notes in fiscal year 2026.

PROJECT PURPOSE

As a part of the SFFAS 59 implementation monitoring the Board agreed that *such actions may include, among other things, staff guidance, AAPC guidance, interpretations, or additional standards, as determined appropriate based on Board deliberations.* [SFFAS 59, par. A39.e.]

Since FY 2022 staff has been monitoring the implementation of SFFAS 59 and has provided the Board periodic updates in the non-agenda topic memos (see attachment 2).

BACKGROUND

At the time SFFAS 59 was issued in July 2021, 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 2026. The Board believed that the extension would allow adequate time to identify and address implementation challenges, including any cost-benefit considerations, while it is reported as RSI.

SUMMARY OF RECOMMENDATIONS AND ANALYSIS

Staff reserves its analysis and recommendations pending the GAO briefing results. Should the GAO briefing confirm what staff has been made aware of SFFAS 59 implementation can proceed as planned with RSI moving to Basic accompanied by G-PP&E Land de-recognition.

STAFF ANALYSIS AND RECOMMENDATION

[RESERVED] Staff reserves its analysis and recommendations pending the GAO briefing results which could reveal either additional or contrary information for staff's consideration. Should the GAO briefing confirm what staff has been made aware of, including its review of the fiscal year 2022 RSI presentations, SFFAS 59 implementation can proceed as planned with RSI moving to Basic accompanied by G-PP&E Land de-recognition.

1. STATEMENT OF ISSUE AND RECOMMENDATION

a. Facts and Pertinent Information

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 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.

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. The Board also 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 2022 and 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 2022 and 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 2023 and 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 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, take actions to address them, before the RSI requirements transition to the notes.

b. Analysis

[RESERVED] Staff reserves its analysis and recommendations pending the GAO briefing results which could reveal either additional or contrary information for staff's consideration.

c. Staff Recommendation

[RESERVED] Should the GAO briefing confirm what staff has been made aware of, including its review of the fiscal year 2022 RSI presentations, SFFAS 59 implementation can proceed as planned with RSI moving to Basic accompanied by G-PP&E Land de-recognition.

Question #1 for the Board:

1. Does the Board agree with the recommendation to implement SFFAS 59 as planned should the GAO confirm what staff has been made aware of, including its review of the fiscal year 2022 RSI presentations? If not, why not and please provide your rationale and any suggested changes to the SFFAS 59 implementation plan.

Question #2 for the Board:

2. Are there any (additional) facts, pertinent information, or questions that members have for either staff or GAO to address in anticipation of the meeting? If so, please identify what information you would like to have researched or answered at the meeting to assist you in deliberations.

2. Excerpts from FASAB Non-agenda Memos – Land Implementation/Post-issuance (October 2021 – December 2024)

Excerpts from FASAB Non-agenda Memos – Land Implementation/Post-issuance

October 2021 - To assist preparers and auditors, staff has prepared both tabular and time-sequenced illustrations explaining the transitional implementation period per SFFAS 59. Specifically, effective dates for each of the statement's discrete paragraph requirements are highlighted and time-phased by fiscal year.

December 2021 & February 2022 - GAO has begun its work and is beginning to meet with the major land holding agencies to work on designing an audit methodology addressing issues to include applying materiality to non-financial information and ascertaining predominant use.

April 2022 - GAO has begun its work and is beginning to meet with the major land holding agencies to work on designing an audit methodology addressing issues to include applying materiality to non-financial information and ascertaining predominant use. Staff has received inquiries and provided technical advice to the USDA/Forest Service and Department of Labor concerning SFFAS 59 implementation.

June 2022 - On May 10, 2022, we were notified by the USDA's OCFO that the Forest Service noted significant discrepancies between two of their systems of record for land acreage. They asked the OCFO if they could defer reporting acreage until the next fiscal year (2023) so that a reconciliation of the data could be performed. In lieu of reporting acreage, the Forest Service proposed disclosing their efforts to report this information. Consistent with SFFAS 59, the OCFO advised them to determine its best fiscal year 2022 estimate from the information available and then refine the information over the RSI period, which runs through 2025. GAO reached out to the USDA and offered to meet with the Forest Service to understand their concerns, however, the OCFO indicated a preference to first address this matter internally. The OCFO believes that it may be best to give the Forest Service additional time (waiving its internal 3rd quarter reporting dates) to complete their reconciliation and report on their progress at its next internal meeting scheduled for August 5. If at that time, the Forest Service is still experiencing challenges, the OCFO plans on scheduling a meeting with the GAO. The OCFO's expectation is that the Forest Service will report estimated acres this fiscal year-end.

August 2022 & October 2022- As part of our monitoring, staff was notified by a reporting entity that one of their components noted significant discrepancies between two of their systems of record for land acreage and therefore, would like to defer reporting acreage until the next fiscal year (2023) so that a reconciliation of the data could be performed. Nevertheless, the expectation is that the component entity will report estimated acres this fiscal year-end.

Additionally, staff continues to answer questions and provide technical advice to reporting entities such as the most recent inquiry from the Architect of the Capitol (AOC). To date, staff has met with the following reporting entities: USDA, Forest Service, Interior, Justice (FBI), and the AOC.

December 2022 - As last reported, staff continues being available to answer questions and provide technical advice to reporting entities such as inquiries previously noted from the Architect of the Capitol (AOC). To date, staff has met with the following reporting entities: USDA, Forest Service, Interior, Justice (FBI), and the AOC. Earlier this fall, staff attended a Department of Interior (DOI) status meeting hosted by the GAO. At this meeting, the DOI reported on its progress with SFFAS 59.

February 2023 - As last reported, staff continues being available to answer questions and provide technical advice to reporting entities. Staff has done a cursory review of selected agency RSI presentations and notes that: (1) most agencies appear to have satisfactorily reported their land holdings in the three land use sub-categories and (2) G-PP&E land and stewardship land holdings at the majority of agencies surveyed have been reported as operational land and conservation and preservation land, respectively. Next, staff plans on reviewing the reporting of land rights.

April 2023 - At the April 2023, Mr. Robert Dacey will be providing the Board with an update concerning the GAO efforts associated with assisting practitioners in implementing the SFFAS 59 reporting requirements. Also, as last reported, staff continues being available to answer questions and provide technical advice to reporting entities. Staff has done a cursory review of selected agency RSI presentations and notes that: (1) most agencies appear to have satisfactorily reported their land holdings in the three land use sub-categories and (2) G-PP&E land and stewardship land holdings at the majority of agencies surveyed have been reported as operational land and conservation and preservation land, respectively. Lastly, staff plans on reviewing the reporting of land rights.

June 2023 - As last reported, staff continues being available to answer questions and provide technical advice to reporting entities. Staff has done a cursory review of selected agency RSI presentations and notes that: (1) most agencies appear to have satisfactorily reported their land holdings in the three land use sub-categories and (2) G-PP&E land and stewardship land holdings at the majority of agencies surveyed have been reported as operational land and conservation and preservation land, respectively. Lastly, staff plans on reviewing the reporting of land rights.

In addition, GAO (1) continues to meet with the major federal land holding entities to understand their implementation of SFFAS 59 and (2) is working to finalize audit guidance relating to SFFAS 59, in cooperation with CIGIE, that could be used for the fiscal years 2023-2025 audits of federal entities' financial statements.

August 2023 - Staff continues to assist reporting entities by providing technical advice concerning SFFAS 59 implementation. For example, in June, an entity questioned whether SFFAS 59 could lead to a reclassification of G-PP&E Land to Stewardship Land based on how its mission is defined. Staff advised that SFFAS 59 does not require such a reclassification although, entities would be permitted to properly report land categories (G-PP&E Land and SL) based on changed mission requirements.

Moreover, changed mission requirements or said reinterpretations could be reflected in the Statement's sub-categories reflecting the land's predominant use.

As last reported, GAO (1) continues to meet with the major federal land holding entities to understand their implementation of SFFAS 59 and (2) is working to finalize audit guidance relating to SFFAS 59, in cooperation with CIGIE that could be used for the fiscal years 2024-2025 audits of federal entities' financial statements.

October 2023 - No change from the August update. As required, staff continues to assist reporting entities by providing technical advice concerning SFFAS 59 implementation. For example, in June, an entity questioned whether SFFAS 59 could lead to a reclassification of G-PP&E Land to Stewardship Land based on how its mission is defined. Staff advised that SFFAS 59 does not require such a reclassification although, entities would be permitted to properly report land categories (G-PP&E Land and SL) based on changed mission requirements. Moreover, changed mission requirements or said reinterpretations could be reflected in in the Statement's sub-categories reflecting the land's predominant use.

As last reported, GAO (1) continues to meet with the major federal land holding entities and their auditors to understand the implementation of SFFAS 59 and (2) is working to finalize audit guidance relating to SFFAS 59, in cooperation with CIGIE that could be used for the fiscal years 2024-2025 audits of federal entities' financial statements.

December 2023 - In cooperation with the Council of the Inspectors General on Integrity and Efficiency (CIGIE), GAO released its audit guidance (GAO-24-106986) Thursday, November 16, 2023. The procedures in this guidance are in addition to those required by AU-C 730 and are designed to obtain additional information to (1) better understand the extent to which measurement and presentation of land information in RSI is consistent with SFFAS 59 and (2) identify any preparation and audit challenges related to reporting government land in RSI, consistent with the intent of FASAB's Basis for Conclusion in SFFAS 59. Auditors are expected to provide this additional information to entity management and GAO. In turn, FASAB plans to consider actions necessary to address the identified challenges in preparation for the transition of RSI requirements to note disclosure requirements in fiscal year 2026.

February 2024 - As previously reported, in cooperation with the Council of the Inspectors General on Integrity and Efficiency (CIGIE), GAO released its audit guidance (GAO-24-106986) Thursday, November 16, 2023. The procedures in this guidance are in addition to those required by AU-C 730 and are designed to obtain additional information to (1) better understand the extent to which measurement and presentation of land information in RSI is consistent with SFFAS 59 and (2) identify any preparation and audit challenges related to reporting government land in RSI, consistent with the intent of FASAB's Basis for Conclusion in SFFAS 59. Auditors are expected to provide this additional information to entity management and GAO. In turn, FASAB plans to

consider actions necessary to address the identified challenges in preparation for the transition of RSI requirements to note disclosure requirements in fiscal year 2026.

April 2024 - Staff has begun monitoring entity activities to identify potential preparer or auditor implementation challenges. To date, several major land holding entities have been contacted yielding the following information: (1) no significant implementation challenge(s) directly attributable to SFFAS 59 was brought to staff's attention; (2) data-scrubbing activities continue to show improvements from fiscal year 2022 when the Statement became effective; (3) questions about when the posting logic (i.e., journal entries) for the fiscal year 2026 de-recognition will be issued by Treasury and (4) concerns over the attestation procedures noted in the GAO audit guidance (GAO-24-106986) released in November 2023.

The procedures in this audit guidance are in addition to those required by AU-C 730 and are designed to obtain additional information to (1) better understand the extent to which measurement and presentation of land information in RSI is consistent with SFFAS 59 and (2) identify any preparation and audit challenges related to reporting government land in RSI, consistent with the intent of FASAB's Basis for Conclusion in SFFAS 59. Auditors are expected to provide this additional information to entity management and GAO. In turn, FASAB plans to consider actions necessary to address the identified challenges in preparation for the transition of RSI requirements to note disclosure requirements in fiscal year 2026.

June 2024 - On May 9th during the FASAB Annual Update, staff conducted a focused session on SFFAS 59's (Accounting for Government Land) implementation. The session included preparers from the Departments of Defense (Navy), Energy, Interior, Veteran's Affairs, and General Services Administration. Discussion topics included, but were not limited to, general property, plant, & equipment (G-PP&E) land and stewardship land definitions, outer-continental shelf/submerged lands, estimating acreage and predominant use. Although not indicative of the entire government, entities have reported the following during this year's implementation: positive data-cleansing results; subcategory clarifications concerning land usage; system integration concerns; and GAO audit guidance and U.S. Standard General Ledger (USSGL) FY 2026 journal entry concerns.

August 2024 - As previously reported, at the May 9th FASAB Annual Update session on land, preparers noted the following concerning this year's implementation: positive data-cleansing results; subcategory clarifications concerning land usage; system integration concerns; and GAO audit guidance and U.S. Standard General Ledger (USSGL) FY 2026 journal entry concerns. Entities represented included the Departments of Defense (Navy), Energy, Interior, Veteran's Affairs, and General Services Administration.

October 2024 - On September 24th staff met with representatives from the USDA, the USDA OIG, and an external audit firm to discuss the treatment of temporary land rights. The discussions concerned: conservation easements; stewardship land and G-PP&E

land definitions; and whether temporary easements could be classified as Leases or Intangible assets. Staff provided general comments and disclaimers, along with a written email that for areas of potential disagreement, a formal technical inquiry request should be submitted.

December 2024 - As previously reported on September 24th staff met with representatives from the USDA, the USDA OIG, and an external audit firm to discuss the treatment of temporary land rights. The discussions concerned: conservation easements and their proper classification. Please be reminded that GAO released its audit guidance (GAO-24-106986) Thursday, November 16, 2023 addressing auditor responsibilities related to required supplementary information (RSI) in addition to those required by AU-C 730. This guidance is designed to obtain additional information to (1) better understand the extent to which measurement and presentation of land information in RSI is consistent with SFFAS 59 and (2) identify any preparation and audit challenges related to reporting government land in RSI, consistent with the intent of FASAB's Basis for Conclusion in SFFAS 59. Auditors are expected to provide this additional information to entity management and GAO. In turn, **FASAB plans to consider actions necessary to address the identified challenges in preparation for the transition of RSI requirements to note disclosure requirements in fiscal year 2026.**

REFERENCE MATERIALS

1. SFFAS 59: Accounting and Reporting of Government Land



Federal Accounting Standards Advisory Board

ACCOUNTING AND REPORTING OF GOVERNMENT LAND

Statement of Federal Financial Accounting Standards 59

December 16, 2020

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

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

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

Additional background information is available from FASAB or its website:

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

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SUMMARY

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

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 federal land.

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

The provisions of this Statement need not be applied to information if the effect of applying the provision(s) is immaterial¹. 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. Materiality should be evaluated in the context of the specific reporting entity. Determining materiality requires appropriate and reasonable judgment in considering the specific facts, circumstances, size, and nature of the misstatement. Consequently, after quantitative and qualitative factors are considered, materiality may vary by financial statement, line item, or group of line items within an entity.

¹ Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

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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:²
 - 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*³
3. This Statement does not change existing standards addressing Tribal land and land rights other than permanent land rights. In addition, this Statement does not apply to:
 - a. land held in trust or administered on behalf of Indian tribal governments or individual Indian land,
 - b. the Outer Continental Shelf (OCS)⁴.

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

4. 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.

² 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.

³ Amendments to SFFAS 50, a Statement which amended SFFAS 6, will be incorporated by reference as reflected in the SFFAS 6 amendments contained herein.

⁴ The term OCS refers to the seabed, subsoil and energy or mineral resources derived therefrom.

- a. Paragraph 25 is amended as follows:

25. Land and permanent land rights^{28.1} acquired for or in connection with other general PP&E²⁹ ~~shall be included in~~ are considered general PP&E but are not to be capitalized on the balance sheet. General PP&E land shall exclude (1) withdrawn public lands^{29.1} or (2) land restricted for conservation, preservation, historical, or other like restrictions. Such land shall remain categorized as stewardship land (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 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,^{40.1} 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,⁴¹ except land and permanent land rights, shall be expensed as incurred of ~~unlimited duration.~~⁴² [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.~~

5. 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 expense ~~future land and~~ temporary land rights ~~acquisitions~~ acquired, beginning in fiscal year 2026.

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.

6. 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^{46.1} should be provided regarding G-PP&E land and permanent land rights:

- a. A concise statement defining an entity's federal land, and 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^{461.a} 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^{461.b}. 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.

FN 46.1a - Predominant Use of land. Predominant use is the major or primary current use of an asset during the reporting period and does not include incidental or infrequent uses of the asset. Moreover, predominant use can change between reporting periods. An asset's predominant use should be consistent with the entity's authorizing legislation but may not always be consistent with the original intent or reason why the asset was initially acquired.

FN 46.1b - Aggregation and assignment of land. The level of aggregation of land and permanent land rights used to determine predominant use should be determined by the preparer considering the entity's mission, types of land use and how it manages the assets.

45B. The financial statement balance sheet should reference a note that discloses information required at paragraph 45A (a through e) about G-PP&E land and permanent land rights but no asset dollar amount should be shown. Existing display and disclosures^{46.2} should continue during the transition period through fiscal year 2025 and cease in fiscal year 2026 when superseded by the transition of the RSI information 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.

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

20A. Acres of land held for disposal or exchange include land for which the entity has satisfied the statutory disposal authority requirements specific to the land in question.^{24.1} Disposal includes conveyances of federal land to non-federal entities not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.

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 (such inflows may be derived from the land itself or activities performed on the land and 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.

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*

8. 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^{14.1} and acquired land and land rights¹⁵ owned by the Federal Government intended to be held indefinitely, ~~but not acquired for or in connection with¹⁶ items of general PP&E~~. Examples of stewardship land include land reserved, managed, planned, used, or acquired for¹⁶ ~~as forests and parks, and land used for wildlife and grazing~~.

- forests and parks;
- recreation and conservation;
- wildlife habitat and grazing;
- 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);
- multiple purpose ancillary revenue generating activity (for example, special use permits, mineral development activities, and timber production); and/or
- 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, ~~t~~The transferring and recipient entity/entities should properly adjust for estimated acres of land information recognize a transfer out of capitalized assets.²⁰

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

9. 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.⁵

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

40. ~~Entities with stewardship land should reference a note²¹ on the balance sheet that discloses information about stewardship land, but no asset dollar amount should be shown. The note disclosure related to stewardship land should provide the following:~~ The following disclosures^{21-21.1} 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~~

⁵ 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.

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
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 defining an entity's federal land, and explaining how stewardship land relates to the mission of the entity.^{21.2}
- 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^{21.1a} 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^{21.1b}.
 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.

FN 21.1a - Predominant Use of land. Predominant use is the major or primary current use of an asset during the reporting period and does not include incidental or infrequent uses of the asset. Moreover, predominant use can change between reporting periods. An asset’s predominant use should be consistent with the entity’s authorizing legislation but may not always be consistent with the original intent or reason why the asset was initially acquired.

FN 21.1b - Aggregation and assignment of land. The level of aggregation of land and permanent land rights used to determine predominant use should be determined by the preparer considering the entity’s mission, types of land use and how it manages the assets.

40A. The financial statement balance sheet should reference a note that discloses information required at paragraph 40 (a through e) about Stewardship land and permanent land rights but no asset dollar amount should be shown. Existing disclosures^{21.2} should continue during the transition period through fiscal year 2025 and cease in fiscal year 2026 when superseded by the transition of the RSI information 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 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 2026. 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.

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

36A. Acres of land held for disposal or exchange include land for which the entity has satisfied the statutory disposal authority requirements specific to the land in question.^{17.1}

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

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 (such inflows may be derived from the land itself or activities performed on the land and 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

- 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.

11. 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 including a general description of the federal government's land explaining how its federal land ~~it~~ relates to the mission of the Federal Government.
- b. A ~~description~~ disclosure of the estimated acres of land by predominant use sub-categories 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^{25.1} should continue during the transition period through fiscal year 2025 and cease in fiscal year 2026 when superseded by the transition of the RSI information 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.

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”

12. 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 including a general description of the federal government’s land explaining how its federal land relates to the mission of the Federal government.

2. A disclosure of estimated acres by predominant use sub-categories and estimated acres of land held for disposal or exchange by the Federal government

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

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

23A. The balance sheet should reference a note that discloses the information^{2.1} 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^{2.2} should continue during the transition period through fiscal year 2025 and cease in fiscal year 2026 when superseded by the transition of the RSI information 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 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

13. 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.⁵¹ The Government does not give anything of value to the donor, and the donor receives only personal satisfaction. The donation of cash, other financial resources, or nonfinancial resources (except [general PP&E land, permanent land rights, and](#) stewardship property, plant, and equipment) is therefore a nonexchange revenue.

- c. Paragraph 259 discusses non-exchange transactions with the public, specifically donations. This should include G-PP&E land. In addition, this paragraph is amended to conform to 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 exceptions are for donations of assets that are expensed rather than capitalized. These include general PP&E land and permanent land rights, stewardship PP&E, ~~consists of Federal mission PP&E~~, heritage assets, and stewardship land. Such PP&E is expensed if purchased, but no amount is recognized if it is received as a donation.⁵² Correspondingly, no revenue is recognized for such donations.

- d. Paragraph 296 and footnote 62 discuss sales of property, plant, and equipment. 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.⁶²

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.⁸¹ Since the donation of such PP&E does not affect the net cost or net position of the recipient entity, it is not a revenue, a gain, or an other financing source.

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

14. 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

15. The scope of this Statement (paragraphs 1-3) is effective for reporting periods beginning after September 30, 2021. The information required at paragraphs 6 and 7 (G-PP&E land), paragraphs 8-10 (stewardship land), paragraph 11 (government-wide stewardship land), and paragraph 12 (government-wide G-PP&E land) should be presented as RSI for fiscal years 2022 through 2025 and transition to note disclosures in fiscal year 2026. Asset dollar amounts for G-PP&E land and permanent land rights should remain on the balance sheet along with existing disclosures through fiscal year 2025 and cease in fiscal year 2026 when superseded by the transition of the RSI information to note disclosures and paragraphs 4, 5, 13, and 14 become effective. Existing display and disclosure (balance sheet reference) for stewardship land should continue through fiscal year 2025 until they are superseded by the requirements at Paragraphs 8-10 beginning in fiscal year 2026.
16. 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 2026 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 information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, chapter 7, titled *Materiality*, for a detailed discussion of the materiality concepts.

APPENDIX A: BASIS FOR CONCLUSIONS

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

- 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;⁶ SFFAS 29; and SFFAS 50,. The Board’s most notable concerns included the following:

⁶ 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 federal land. 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 land; (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 consistency⁷ 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.⁸ 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 amount is not material. Unrecognized elements are candidates for

⁷ 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.

⁸ Please refer to Appendix E for the identification of task force participants.

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 stewardship⁹ or entity operating performance primarily due to the static nature of the reported dollars (that is, not accounting for inflation or changes in value).¹⁰ In addition, historical cost of land and permanent land rights is not relevant for decision makers.¹¹
 - 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 reflects the measurable characteristic of an asset or liability.

⁹ SFFAC 1, *Objectives of Federal Financial Reporting*, par. 134-145.

¹⁰ SFFAC 1, par. 122-133.

¹¹ SFFAC 1, par. 161 and SFFAC 7, *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording*, par.7.

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.¹²
 - 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 federal land.¹³
 - i. Citizen users on the task force and some ED respondents noted the benefit of fair value estimates of government federal land. 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.

¹² SFFAC 1, par. 158-159.

¹³ 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).¹⁴
 - 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.¹⁵
 - 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.¹⁶
 - 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

¹⁴ 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.

¹⁵ SFFAC 2, par. 73E.

¹⁶ 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

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

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.¹⁷ 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 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,

¹⁷ 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.

concerning G-PP&E land, the General Service Administration's Federal Real Property Council has established predominant use reporting definitions and requirements since 2005.

- A26. It is important to note that this Statement continues the practice in SFFAS 29 that provides entities with flexibility in determining predominant use. For example, in cases where land, including permanent land rights, has multiple uses, none of which is predominant, the entity may attempt to sub-categorize such land. In so doing, entities may find it practicable to apportion the estimated acres among the sub-categories. Paragraph A35 provides additional information on determining the level of aggregation and assignment of land and permanent land rights used to determine predominant use. 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. Examples cited include:
- a. Financial reporting systems are not currently designed to capture the newly required information. Acreage information is not expected to be recorded in transaction-based financial accounting and reporting systems. 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.
 - 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 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 that the Board does not require the reporting of Tribal land held in trust. As an amending Statement, the Board considered inclusion of lands held in trust but elected to continue the long-standing exclusion of such lands due to their fiduciary nature.
- g. Clarifying that the Board does not require the reporting of the Outer Continental Shelf (OCS)¹⁸ lands because they do not meet FASAB's definition of land as contained in its handbook, at Appendix E. The definition reads as follows:

Land is the solid part of the surface of the earth. Excluded from the definition of land are the natural resources (that is, depletable resources such as mineral deposits and petroleum; renewable resources such as timber, and the outer-continental shelf resources) related to land.

Nevertheless, if an entity manages material amounts of OCS acreage, the Board believes that this fact should be disclosed.

- h. 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.

¹⁸ The Board notes that it interprets the term OCS to include the seabed, subsoil and energy or mineral resources derived therefrom.

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. Prior to issuing its ED, the Board concluded that temporary land rights (that is, other than permanent land rights) would not be subject to the new requirements of this Statement. The rationale for excluding temporary land rights was based on the Board’s belief that (1) such land rights are intangible assets and should be addressed in an Intangibles project and (2) the cost of separating such land rights from the underlying asset would be prohibitive. Therefore, 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. Consistent with the Board's views on SFFAS 29 and TR 9, for this standard, an entity may estimate acreage based on different underlying sources of data to include 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 to affect acreage estimation methods and/or techniques. Additionally, an entity is not expected to adjust its acreage estimates for insignificant amounts of: in-holdings¹⁹, intra-agency shared lands, or acquisitions or disposal of land. Entity estimates can be based on different underlying sources of data applying different measurement and/or mapping methods and can be deemed reasonable within industry accepted tolerance levels applied at an aggregation level (e.g., by national park or reserve, regional/district office, topography/land cover, etc.) as defined by management. That is, the level of aggregation and assignment of land and permanent land rights used to determine predominant use may be determined by the preparer considering the entity's mission, types of land use and how it manages the assets (e.g., by national park or reserve, bureau, regional/district office, topography/land cover, etc.). For example, the reporting entity may determine that predominant use is determined by national park or forest. Further, the entity may determine that the predominant use of a national park or forest is conservation and preservation even though some uses of the national park or forest are for operational or commercial use, but are not predominant uses. Appendix B provides illustrative examples of what sub-categories or activities could be included within each land use sub-category.

Some respondents raised the issue that land and permanent land rights may have multiple uses and it may be difficult to sub-categorize its predominant use into one of the three predominant use sub-categories. The Board considered whether there should be an additional use sub-category if preparers encountered challenges in sub-categorizing land and permanent land rights into one of the three sub-categories. The Board believes that providing the preparer and entity management with a predominant use definition and flexibility in determining the level of aggregation of land used to determine predominant use, would improve the ability of reporting entities to determine predominant use. Further, Appendix B provides an illustration of what sub-categories or activities could be included within each land use sub-category. Nevertheless, the Board also recognizes that these are new sub-categories and that unforeseen implementation issues may be encountered. Consequently, during the implementation phase (FY's 2022-2025) of this standard, the Board encourages reporting entities to communicate any challenges as well as suggestions in sub-categorizing land use reporting to the Land Implementation Task Force.

¹⁹ 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. Generally, in-holdings 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.

- A36. 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.
- A37. 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

- A38. 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

A39. 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:

- (1) develop and implement related policies and procedures,
- (2) establish estimates of acres and acres by predominant use sub-category as of the beginning of the first year of implementation,
- (3) develop and maintain supporting documentation,
- (4) 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
- (5) 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 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 2026. The Board believes that the extension should allow adequate time to identify and address implementation challenges, including any cost-benefit considerations, 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, as appropriate, 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 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 2022 and 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 2022 and 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 2023 and 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 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, take actions to address them, before the RSI requirements transition to the notes.

Board Approval

A40. This Statement was approved with a vote of 7 members in favor of its issuance. Ms. Kearney and Mr. Bell dissented to the issuance of this statement. Their dissents are presented below. Written ballots are available for public inspection at FASAB's offices.

A41. Ms. Kearney dissents to the issuance of this Statement. She agrees with the goal of the Statement, which is to promote transparency into and accountability for the use of Government land. However, Ms. Kearney shares concerns expressed by major landholding agencies in response to the exposure draft and in subsequent discussions with the Board. Ms. Kearney's concerns are that this Statement does not include an option to classify land acreage as having multiple uses and that this Statement would require reporting and auditing that has not been demonstrated to be cost-beneficial.

Over two thirds of all of the Government's land²⁰ is required by law²¹ to be managed under principles of multiple use. Requiring agencies to specify a single predominant use for multi-use land would put large land management agencies in the untenable

²⁰ See, *Federal Land Ownership: Overview and Data*, the Congressional Research Service, February 21, 2020, which provides information about land acreage managed by the Department of Interior's Bureau of Land Management and the Department of Agriculture's Forest Service, <https://crsreports.congress.gov/product/pdf/R/R42346>.

²¹ See, for example, the Federal Land Management and Policy Act of 1976 and the Multiple Use and Sustained Yield Act of 1960.

position of having to identify and report a predominant use for land that is inconsistent with the use of the land as specified in statute.

At any particular time, land acreage may have multiple uses. It may be used simultaneously for ranching or logging (commercial), a wildlife habitat (preservation/conservation), and a staff office (operational). In addition, one or more of these uses can change over time, especially following catastrophic events, such as wildfires or hurricanes. Requiring agencies to assign a single predominant use to multi-use land would seem to frustrate rather than further the goals of transparency and accountability.

Ms. Kearney appreciates that the Board intends to monitor implementation of this Statement, including the ability to classify land according to a single predominant use. Ms. Kearney also appreciates that the Board intends to assess the need for further guidance to address any implementation challenges that may arise prior to transitioning the reporting from RSI to basic information. However, Ms. Kearney shares concerns expressed by major landholding agencies that the intended transition from RSI to basic reporting together with the challenges associated with assigning a single predominant use would create a burden on agencies that does not fully justify the cost of collecting, reporting, and auditing the information. Ms. Kearney shares these concerns particularly in light of: (1) the availability to the public of reliable Government land information (e.g., the Bureau of Land Management's Official Federal Land Records website and the U.S. Geological Survey's Protected Areas Database) and (2) the broad range of financial information that is currently reported as RSI under existing FASAB standards, including information about natural resources and deferred maintenance and repairs.

A42. Mr. Bell dissents to the issuance of this Statement. Mr. Bell commends FASAB for its thorough examination of the issue, which encompassed several years. In particular, Mr. Bell acknowledges and appreciates that the Board intends to include a separate project on its technical agenda to monitor implementation challenges, and to assess the need, as appropriate, for actions to address those challenges prior to transition of the RSI requirements to basic reporting as note disclosure.

Mr. Bell supports enhanced transparency in financial reporting, whether such transparency takes the form of financial or non-financial information. However, Mr. Bell shares concerns expressed by some agencies in response to the exposure draft and in subsequent discussions with the Board that the disclosures required by this Statement could potentially create a burden that does not fully justify the cost required to collect, analyze, report, and audit the information needed to comply with this Statement. Of particular concern among these agencies is that this Statement does not include an option to classify land acreage for which a single predominant use cannot practically be: (1) determined or (2) distinguished from other, simultaneous predominant uses across multiple categories ("multi-use"). Certain agencies indicated that substantial acres of federally-owned land are or can be subject to multiple, concurrent uses for different purposes, on both perpetual and periodic bases. As such, in these cases, complying with this Statement's requirement to assign a single "predominant use" could be cost-prohibitive, precipitate undue preparation burden, and result in reporting that is not reasonably reflective of the land's actual use.

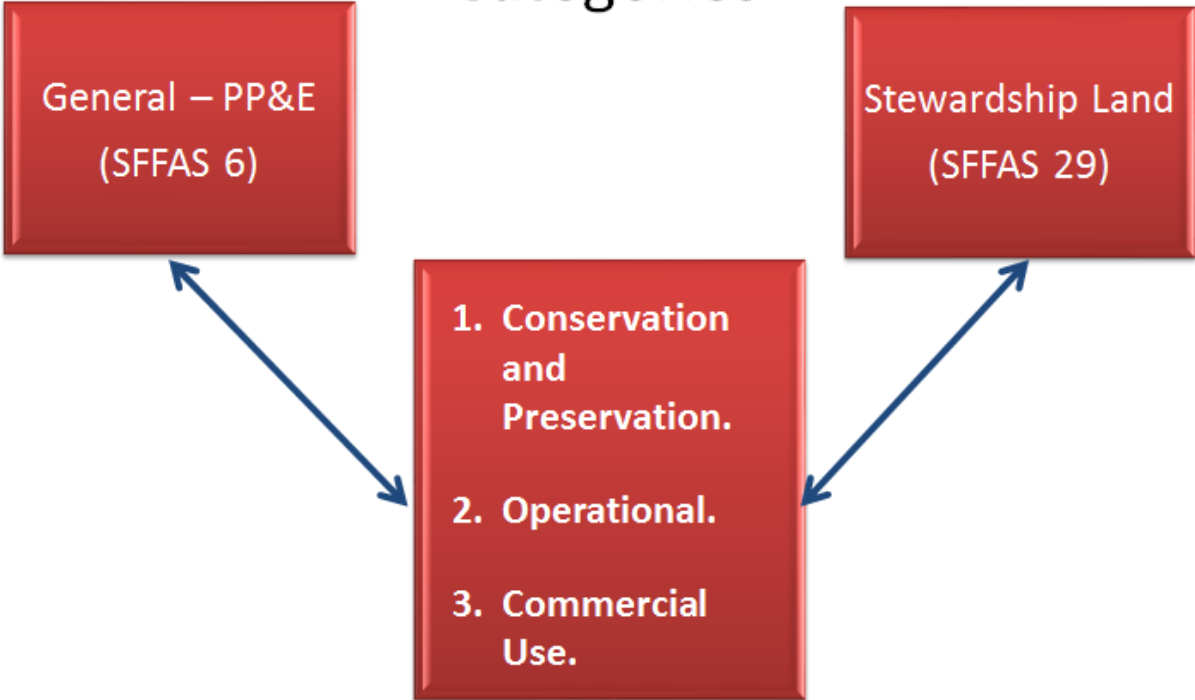
APPENDIX B: ILLUSTRATIONS

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.

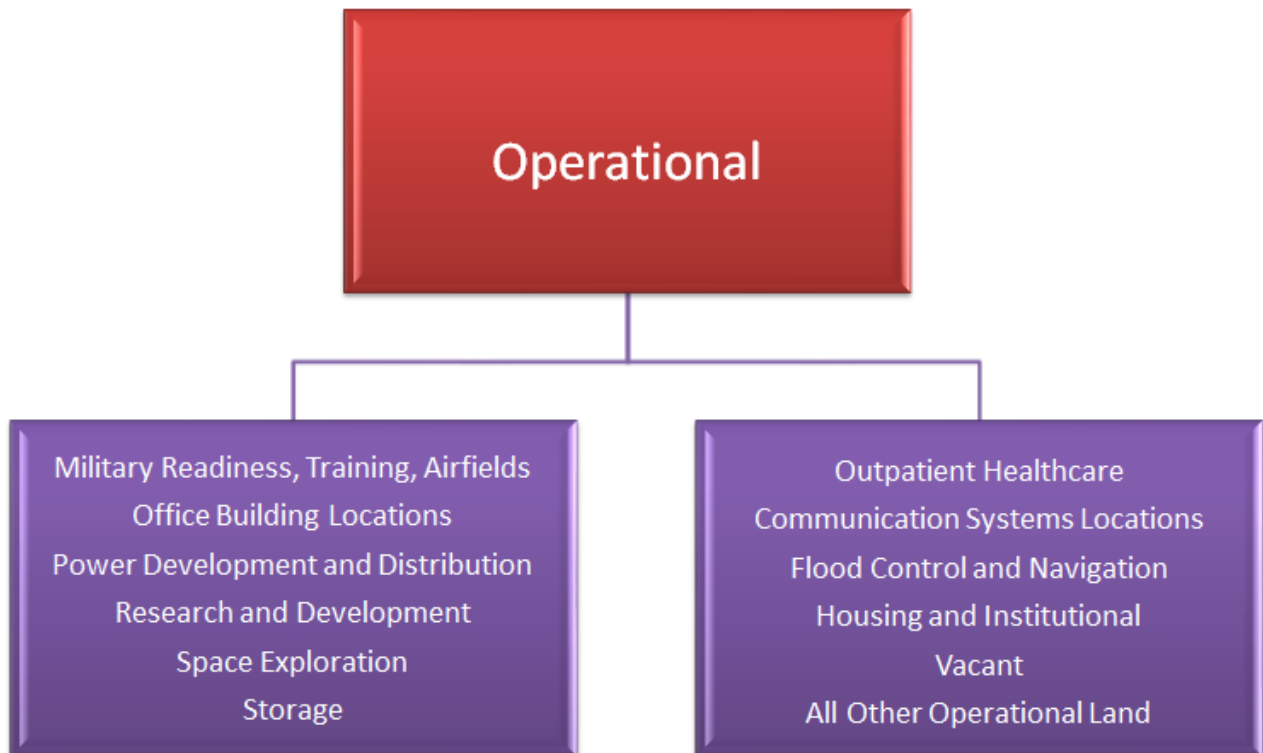
Conservation and Preservation Land Use Sub-categories



Operational Land Use Sub-categories

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

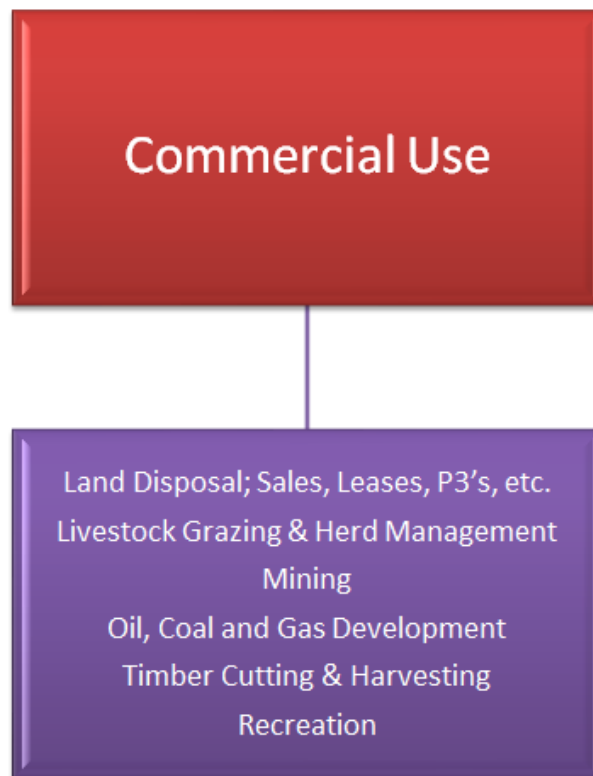
Operational Land Use Sub-categories



Commercial Use Land Use Sub-categories

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

Commercial Use Land Use Sub-categories



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

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

Explanatory Comments

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

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

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

Explanatory Comments

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

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

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

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

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

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

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

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

Partial Sample Illustration: Appendix B-3: Consolidated Financial Report of the U.S. Government (Amendments to SFFAS 29, paragraph 42 and SFFAS 32, paragraph 23)²²

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.

²² For ease of illustration purposes only, G-PP&E land and SL presentations are combined in the above format. Disaggregated displays are permissible.

APPENDIX C: ABBREVIATIONS

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
OCS	Outer Continental Shelf
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 include land for which the entity has satisfied the statutory disposal authority requirements specific to the land in question.²⁵ Disposal includes conveyances of federal land to non-federal entities not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.

FN 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 (such inflows may be derived from the land itself or activities performed on the land and 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.

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^{28.1} acquired for or in connection with other general PP&E²⁹ 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^{29.1} or (2) land restricted for conservation, preservation, historical, or other like restrictions. Such land shall remain categorized as stewardship land.—unless the reporting entity made the election to implement the provisions of paragraph 40.f.i.. In some instances, general PP&E may be built on existing Federal lands. In this case, the land cost would often not be identifiable. In these instances, general PP&E shall include only land and land rights with an identifiable cost that was specifically acquired for or in connection with construction of general PP&E.

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

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

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

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.

Predominant Use of land is the major or primary current use of an asset during the reporting period and does not include incidental or infrequent uses of the asset. Moreover, predominant use can change between reporting periods. An asset’s predominant use should be consistent with the entity’s authorizing legislation but may not always be consistent with the original intent or reason why the asset was initially acquired.

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

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

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

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

FN 16 – ~~“Acquired for or in connection with” is defined as including land used acquired with the intent to construct general PP&E and land acquired in combination with general PP&E, including not only land used as the foundation, but also adjacent land considered to be the general PP&E’s common grounds.~~ Land used or acquired for or in connection with items of general PP&E but meeting the definition of stewardship land should be classified as stewardship land.

APPENDIX E: TASK FORCE MEMBERS

Task Force Member Agencies

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

Task Force Members

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Cotton and Company
Deloitte
Dennis M. Giaimo, MBA
EY
Helwig, LLC
Kearney
Management Analysis Incorporated
National Council for Public Private Partnerships
Navigant Capital Advisors
Patawomeck Indian Tribe of Virginia
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