

*Exposure Draft Technical Bulletin:**Technical Clarifications: SFFAS 59, Accounting and Reporting of Government Land*

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This proposed Technical Bulletin (TB) would assist reporting entities in implementing Statement of Federal Financial Accounting Standards (SFFAS) 59, *Accounting and Reporting of Government Land*.

**QFR 1.** The proposed TB would clarify that categorizing general property, plant, and equipment (G-PP&E) land and stewardship land is based on intent or intended purpose, whereas the sub-categorization is based on predominant use. The determining factor when categorizing land between G-PP&E and stewardship is why the entity is currently managing/holding the land as opposed to its actual predominant use during the reporting period. Refer to paragraphs 5 and 6 and paragraph A4 in the basis for conclusions.

**Do you agree or disagree? Please provide the rationale for your answer.**

We believe it may be challenging for some entities to determine and maintain appropriate evidence supporting their conclusions for categorizing G-PP&E land and stewardship land based on intent. While in some cases the determination may be straightforward, the intent or intended purpose of land acquired by the federal government many years ago may not have been documented.

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Categorizing land as G-PP&E or stewardship was important when G-PP&E land was recognized on the balance sheet and stewardship land was not. The accounting treatment of both categories under SFFAS 59 is the same. We suggest the Board consider whether this categorization would provide useful information to users of the financial statements, considering the effort and significant judgment entities may need to incur to report the information.

The changes to SFFAS 6 paragraph 25 that are incorporated upon adoption of SFFAS 59 state that land restricted for conservation, preservation, historical or other like restrictions must be stewardship land. We are unclear whether entities cannot have G-PP&E land that is in the conservation and preservation subcategory as defined in SFFAS 59 paragraph 20C.

Lastly, within footnote 2 in paragraph 6 of the proposed TB, we believe the reference to SFFAS 6 paragraph 17 should instead reference SFFAS 6 paragraph 25, as this is the paragraph that addresses land and land rights in G-PP&E. While paragraph 6 of the proposed TB indicates the G-PP&E classification should be based on intent, this concept is not present in either SFFAS 6 paragraph 17 or 25.

**QFR 2.** The proposed TB would clarify that the reporting of non-outer continental shelf (OCS) submerged estimated acreage is optional and that the preparer has flexibility concerning the accounting and reporting of such land. Specifically, preparers have the option to either include or exclude non-OCS estimated acreage in the notes as part of the overall reported acreage estimates. If the entity has non-OCS submerged land, the entity should (1) disclose its policy for including or excluding this land from acreage estimates and (2) describe its mission related to such lands. Refer to paragraphs 7 and 8, paragraph A5 in the basis for conclusions, and appendix C.

**Do you agree or disagree? Please provide the rationale for your answer.**

We agree with the clarification provided in the proposed TB. However, we have certain suggestions we would like the Board to consider.

We believe that the statement in paragraph 8 referencing SFFAS 59 providing flexibility to preparers in reporting non-OCS land is inaccurate, as this is not stated in SFFAS 59. Additionally, we believe the sentences in paragraph 8 concerning aggregation, assignment and grouping, as well as a process to estimate total acreage, should be removed as they are not relevant to the question posed in paragraph 7.

**QFR 3.** The proposed TB would clarify that the accounting and reporting of land improvements remains consistent with SFFAS 6, *Accounting for Property, Plant, and Equipment*. That is, land improvements would continue to be reported as G-PP&E after land acreage transitions to the notes. Refer to paragraphs 9-11 and paragraph A6-A9 in the basis for conclusions.

**Do you agree or disagree? Please provide the rationale for your answer.**

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We agree with the clarification provided in the proposed TB.

**QFR 4.** The proposed TB would clarify that all (G-PP&E and stewardship) permanent land rights are to be expensed as incurred. Refer to paragraphs 12 and 13 and paragraph A10-A11 in the basis for conclusions.

**Do you agree or disagree? Please provide the rationale for your answer.**

We agree with the clarification provided in the proposed TB. We believe it would be helpful for the Board to clarify in paragraph 13 whether the acres associated with permanent land rights should be included in the disclosure for acreage.

**QFR 5.** The proposed TB would clarify that ownership and related acquisition assertions can be supported by non-traditional documentation. For example, alternative methods, such as satellite imagery, expert analysis, legal precedents, and testimonies from land historians or long-established local communities, can help reconstruct ownership history and confirm the legitimacy of land claims. Additionally, practitioners may review land surveys, geological data, or archival government correspondence to corroborate acquisition details. Refer to paragraphs 14-17 and paragraph A12-A18 in the basis for conclusions.

**Do you agree or disagree? Please provide the rationale for your answer.**

We agree with the clarification provided in the proposed TB.

**QFR 6.** The proposed TB would incorporate concepts regarding ownership in paragraphs 81-83 (Supporting Documentation) and paragraph 85 (Methodology for Developing Supporting documentation) of Technical Release 9, *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*. Refer to paragraphs 14-17 and paragraph A12-A18 in the basis for conclusions.

**Do you agree or disagree? Please provide the rationale for your answer.**

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We agree with the clarification provided in the proposed TB.

**QFR 7. Do you wish to comment on any other aspects of this proposal?**

We encourage the Board to consider how moving the disclosure of land acreage from the required supplementary information to the footnotes will impact federal entities and the audit of those entities. The Government Accountability Office (GAO) and the Federal Accounting Standards Advisory Board staff have heard in recent Board meetings that entities may not have all necessary information available to support the disclosures that would be required.

Additionally, entities have expressed concern to the GAO about their capacity to fully implement the new disclosure requirements. Opinions on the financial statements may include qualifications or disclaimers if entities are unable to fully support the completeness and accuracy of the disclosures related to land within the footnotes. While the proposed TB clarifies the accounting guidance, there may still be implementation challenges for preparers, as outlined by the GAO and referenced in paragraphs A2 and A3 of the proposed TB.

The categorization of the issues as auditor issues, as referenced in paragraphs A2 and A3 of the TB, does not reflect a complete analysis of these matters. These are challenges that preparers are having in implementing the disclosures required by SFFAS 59.

We recommend the Board incorporate Technical Release 9 Section I into this TB to help preparers determine what is meaningful and cost-effective information for disclosure.

Also, there is no current auditing standard for determining materiality for non-financial metrics in footnotes, which may result in diversity in auditor approaches and conclusions.