



Federal Accounting Standards Advisory Board

December 8, 2017

Memorandum

To: Members of the Board

From: Domenic N. Savini, Assistant Director

Through: Wendy M. Payne, Executive Director

MEMBER ACTIONS REQUESTED:

- **Provide feedback to staff** on the draft Exposure Draft (ED) so that a pre-ballot ED can be provided for the February 2018 meeting. See Attachment 1.
- **Answer the 5 questions** summarized on page 17 of this transmittal memo by **December 15, 2017**

Subject: **Accounting and Reporting of Government Land Project¹ – Tab C**

MEETING OBJECTIVE

Review a draft Exposure Draft (ED) and provide staff with feedback so that a pre-ballot ED can be provided for review at the February 2018 meeting. As shown in Attachment 1, staff has incorporated edits primarily arising from member (1) editorial comments received on the August draft ED and (2) technical comments received in October concerning certain open issues raised by members during the review of the August meeting materials.

BRIEFING MATERIAL

This staff memorandum consists of a brief background of the October 2017 Board meeting followed by an executive summary and detailed staff analyses. A revised draft ED is included as Attachment 1.

Thank you and I look forward to our meeting.

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

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BACKGROUND

BACKGROUND

At the October 26, 2017 Board meeting members considered staff recommendations concerning certain open issues raised by the Board during the review of the August 2017 meeting materials. Specifically, the following technical issues were addressed by the Board:

1. Single Note Disclosure – The Board agreed that to ultimately facilitate the implementation of the proposed standards, a single (uniform) set of note disclosure requirements should be adopted in both SFFAS 6 and SFFAS 29. Additionally, members generally agreed that accounting for the beginning and ending balance of acres can be achieved using a “net amount of transfers” approach and that the government-wide report should include the predominant use reporting (that is, sub-category reporting) requirement.
2. Defining Physical Unit - Members asked staff to identify and/or illustrate the different types of “physical unit” measurements (for example, number of national parks, land parcels, regional offices, areas, zones, etc.) that may be in use by entities.
3. Predominant Use Definition and Reporting – The Board decided that a predominant use definition and associated factors should be deferred and developed in connection with and be part of implementation guidance.
4. Multi-Use Land Lacking Predominant Use - The Board did not agree with the staff recommendation to establish a 4th multi-use sub-category when an entity cannot ascertain predominant use. The overarching concern is that establishing such a sub-category could lead preparers to use it as a “catch-all” sub-category causing an underreporting of land in the other 3 sub-categories.
5. Applying Materiality to Non-financial Information – Upon reconsideration of their August meeting decision to develop a materiality discussion for the Basis for Conclusions, the Board decided to defer this topic for potential development as implementation guidance. Members made this decision in light of the Note Disclosure Project Plan (October 2017 Briefing material, Tab H -1) which includes developing guidance on how to apply materiality in developing disclosures.
6. Supporting Documentation - Some members asked that additional research be done concerning the types of evidence preparers will need to support the proposed disclosures.
7. Implementation Approach –The majority of members seemed to favor the 2-year implementation time-line. As a minimum, it allows the Board to address respondent concerns and adjust the standard’s effective date accordingly. Members had differing views on how best to phase-in the proposed requirements. That is, phasing-in requirements via the discrete timing of disclosures or phasing-in the presentation of information (for example, moving from Required Supplementary Information (RSI) to Basic over a set-period of time). Some members stated that the requirement to disclose acres held for disposal or exchange could be accelerated before FY ’23 given the current Administration’s focus on federal land holdings. Other members questioned the effectiveness of a phased-in presentation approach in light of other

BACKGROUND

standards that have adopted such an approach. Although no clear consensus existed, most members seemed to favor the 2-year implementation time-line for exposure and subsequent re-deliberation.

8. Amending SFFAS 42 DM&R Requirements – The Board agreed with the proposed amendments to SFFAS 42, paragraphs 13 and 15 to ensure that any DM&R on (non-capitalized) G-PP&E land would be measured and reported along with other (capitalized) general PP&E and SL.

Staff was tasked with developing a revised draft Exposure Draft to be presented at the February 2018 meeting and pending deliberations, a pre-ballot draft shortly thereafter.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The revised draft ED includes changes resulting from decisions and actions taken at the October 2017 meeting. Staff recommended edits where appropriate, are included directly in the revised draft ED and specific staff recommendations are included at Questions #2 and #3. The October Board decisions and related actions follow:

1. Single Note Disclosure – The Board agreed that to ultimately facilitate the implementation of the proposed standards, a single (uniform) set of note disclosure requirements should be adopted in both SFFAS 6 and SFFAS 29.
 - Refer to Attachment 1:
 - Question for Respondents - Page 8, Question 3.
 - Amending SFFAS 6, G-PP&E – Paragraph 10 on pages 19 - 20.
 - Amending SFFAS 29, SL - Paragraphs 12 through 14 on pages 24 – 27.
 - BFC Par. A25 on page 36 - Developing a Single-set (uniform) of Land Disclosure Requirements.

2. Defining Physical Unit - Some members asked staff to identify and/or illustrate the different types of “physical unit” measurements (for example, number of national parks, land parcels, regional offices, areas, zones, etc.) that may be in use by entities.
 - Refer to Question #2 on pages 7 through 9 of this memo.

3. Supporting Documentation - Some members asked that additional research be done concerning the types of evidence preparers will need to support the proposed disclosures.
 - Refer to Question #3 on pages 10 through 15 of this memo.

 - Refer to Attachment 1:
 - BFC Paragraphs A50 and A51 on page 44.

4. Implementation Approach –The majority of members seemed to favor the 2-year implementation time-line that would make the proposed Statement effective Fiscal Year 2022. Although no clear consensus existed, most members seemed to favor the 2-year implementation time-line for exposure and subsequent re-deliberation.
 - Refer to Attachment 1:
 - Effective Date - Paragraph 17 on page 30.

NEXT STEPS

NEXT STEPS

Pending Board deliberations, staff expects the Board to develop and expose guidance early in calendar year 2018 and finalize the Statement later during calendar year 2019 but within fiscal year 2019 (by September 30, 2019).

PROPOSED PROJECT TIMELINE

- **February 2018**
 - Review pre-ballot Exposure Draft (ED) at February 2018 meeting

- **March 2018 – April 2018**
 - Finalize and issue exposure draft

- **May 2018 – May² 2019**
 - Finalize guidance or standards – FY '19

² Please note that the target date of May 2019 reflects that because this proposed statement relates to capital assets, the CFO Act requires a 45 day Congressional review period.

QUESTIONS FOR THE BOARD

QUESTIONS FOR THE BOARD

Question 1: Single Note Disclosure

Pursuant to the October meeting, staff has revised the single (uniform) set of note disclosure requirements that would apply to both SFFAS 6 and SFFAS 29. These proposed requirements would apply to land disclosures in both standards in expectation of increasing clarity and reducing preparer burden. Revisions include (1) clarifying that we require reporting in both physical units and estimated acreage and (2) allowing preparers to report the net amount of transfers between G-PP&E land and SL categories and among the three sub-categories as opposed to discretely identifying all transfers.

Question 1

Does the Board agree with the proposed draft Single Note Disclosure requirements? If not, please explain why and note what changes or revisions you would suggest.

Question 2: Defining Physical Unit

As requested, staff has worked with the task force (specifically project managers) in clarifying what might constitute a physical unit for reporting purposes. The proposed Exposure Draft includes a requirement to disclose both physical units and estimated acreage. For example, an agency would be required to tell us that they have X number of estimated acres and could describe or categorize these acres in terms of physical units. As a result, the following categories and examples have been developed by staff in consultation with the task force program managers:

| Type of Physical Units | Existing Examples | Additional Examples added by Task Force Other Sub-group Examples |
|------------------------|---|---|
| 1. Physical Nature | Parks, forests, refuges, and installations. | Annexes, Buffer Zones. National Monuments, National Labs. |

QUESTIONS FOR THE BOARD

| Type of Physical Units | Existing Examples | Additional Examples added by Task Force Other Sub-group Examples |
|---|--|---|
| 2. Geographic management unit | State, region, field, district, zone, township, parcels, and tracts. | Administrative offices |
| 3. Project | Water and energy. | Watershed based: catchment, hydrologic units etc. ³ |
| 4. Activity level | Active / inactive / excess. | None Identified |
| 5. Operational status | Mission critical vs. non-critical. | None Identified |
| FILL IN THIS ROW: Other Sub-group Types None Identified | | None Identified |

Some program managers caution that reporting physical units can lead to inconsistent reporting adversely affecting comparability among entities. This is primarily a result of the flexibility allowed by current reporting requirements in this regard. That is, stewardship standards leave the physical unit definitions up to agency management interpretation and have the effect of making each agency's report singular and not comparable or able to be accumulated into totals for potential government-wide reporting. As a result, these program managers note that broad categories do little to help readers understand what kind of land is being managed. Although the five above

³ A hydrological code or hydrologic unit code is a sequence of numbers or letters that identify a hydrological feature like a river, river reach, lake, or area like a drainage basin (also called watershed (in North America)) or catchment. The United States is divided and sub-divided into successively smaller hydrologic units which are classified into four levels: regions, sub-regions, accounting units, and cataloging units. The hydrologic units are arranged or nested within each other, from the largest geographic area (regions) to the smallest geographic area (cataloging units). Each hydrologic unit is identified by a unique hydrologic unit code (HUC) consisting of two to eight digits based on the four levels of classification in the hydrologic unit system. Source: <https://water.usgs.gov/GIS/huc.html> and https://en.wikipedia.org/wiki/Hydrological_code.

QUESTIONS FOR THE BOARD

listed categories provide useful information, entities will be required to develop extensive processes and systems to account for the variety of each category's attributes.

Referring to Attachment 1, staff proposed identical wording in the disclosure requirements for both SFFAS 6 (paragraph 10; see 45A, bullet 3(b)) and SFFAS 29 (paragraph 12; see 40, bullet 3(b)) to clarify the nature of physical units. That is, physical units are not acres. In addition, the new text is clearer regarding management's ability to identify the appropriate meaningful physical unit and offers examples of the basis for identifying physical units.

In conclusion, to increase consistency and comparability the Board can (1) develop common definitions for each of the five categories along with physical unit examples such as those shown or (2) limit the type of physical units that should be reported to one or more of the five types listed in the table above. Members may also elect to defer this matter for Implementation Guidance.

Staff Recommendation

List and briefly discuss the five categories and examples in the Basis for Conclusions and defer this matter for Implementation Guidance.

Question 2

Does the Board agree with the staff recommendation?

If not, does the Board believe that to increase consistency and comparability regarding the reporting of physical units that we need to either (1) develop common definitions for each of the five categories along with physical unit examples such as those shown or (2) specify the category that physical units should be reported in; such as the physical nature of the land? If so, which approach would members suggest taking?

Are there any other approaches members suggest we consider?

QUESTIONS FOR THE BOARD

Question 3: Supporting Documentation

As requested, staff has worked with the task force (specifically preparers and auditors/consultants) in identifying the types of evidence needed to support the proposed disclosures. As a result, the following categories have been developed by the task force preparers and auditors/consultants:

| | Auditors/Consultants Identified: | Preparers Identified: |
|-----------------------|--|--|
| Physical units | <p>In general, to test beginning balances, auditors would select a sample of units and inspect them to verify that they physically exist and the amount is correct. The sample size would be dependent on the effectiveness of the controls. When the auditor can conclude that beginning balances are correct, they would sample additions and disposals, with the sample size varying depending on volume and control effectiveness, to verify that additions exist and disposals occurred.</p> <p>If the agency conducted regular inventories of physical units, auditors would observe and evaluate the effectiveness of the inventories. If they can conclude that the inventories are effective, they could reduce their sample size of units to physically inspect.</p> | <ul style="list-style-type: none"> • We expect that the auditors will require land records and transfer records to document existence for the 3 key disclosures⁴. Also, auditors might use different analytical methods and inquiry as audit evidence to document existence and completeness. • Auditors will require deeds/titles and acquisition agreements. • When land first entered the public domain, the General Land Office (GLO) did an initial survey of the land. These master plats are still available and could serve as evidence of the existence and completeness. • Auditors will require what is currently done for SFFAS 29. |
| Acres | <p>Although auditors would anticipate a similar process as for physical units, it will be more challenging for them to</p> | <ul style="list-style-type: none"> • We expect that the auditors will require land records and transfer records to document |

⁴ The three key disclosures are: physical units, acreage, and acres held for disposal or exchange.

QUESTIONS FOR THE BOARD

| | Auditors/Consultants Identified: | Preparers Identified: |
|---|---|--|
| | <p>conclude that beginning acreage balances are correct. Ideally, the auditor would like to see deeds that describe the property for each acre or parcel of acres.</p> | <p>existence for the 3 key disclosures. Also, auditors might use different analytical methods and inquiry as audit evidence to document existence and completeness.</p> <ul style="list-style-type: none"> • Acreage by predominant use - acceptable audit evidence type by proposed category is unknown; deeds do not reflect predominant use. |
| Held for disposal or exchange | <p>Although auditors would anticipate a similar process as for physical units and acres, if volume is low, there would be less testing involved in verifying the beginning balance. The auditor may still need to verify by inspection that the land exists.</p> | <ul style="list-style-type: none"> • We expect that the auditors will require land records and transfer records to document existence for the 3 key disclosures. Also, auditors might use different analytical methods and inquiry as audit evidence to document existence and completion. • The Service does not track predominant use nor maintain an inventory of lands held for disposal or exchange. There is no evidence that could be procured. |
| If evidence such as a deed is lacking, what other types of audit support would be in-play? | <p>Types of support that the auditor could use as evidence of rights and obligations. The support below does not by itself provide adequate evidence of existence.</p> <ul style="list-style-type: none"> • Contracts, agreements, or other records of sales that indicate that the agency has acquired the land | <ul style="list-style-type: none"> • Contracts, invoices, and certifications. • Public law, treaties or administrative orders showing ownership. If no documentation can be obtained, a certification by the Superintendent or the office of Land Titles and Records at the location. |

QUESTIONS FOR THE BOARD

| | Auditors/Consultants Identified: | Preparers Identified: |
|---|---|---|
| | <ul style="list-style-type: none"> Length of time that the acreage has been controlled by the agency. This might indicate no claims by others for the land. Whether the acreage is surrounded or next to other land for which the agency has documentation. Proximity might indicate that the land was acquired with the other parcels. | <ul style="list-style-type: none"> Statutory reference, policy or management decisions, project appropriations history, public land orders, or other documents supporting the determination of the agency possession and predominate use category. Acceptable audit evidence type is unknown; hence, not available currently. Electronic mapping applications can show existence. Not all items listed are available for all land parcels. |
| Use of Geospatial Information (GIS) | <p>Geospatial information would provide evidence of the existence of the number of acres. It could provide strong evidence but a number of conditions would need to be met. A company that provides that information would be a specialist, either engaged or employed by the agency (management's specialist) or engaged or employed by the auditor (auditor's specialist). The auditor would need to comply with the auditing standard for each type of specialist. In doing so, the auditor would need to have an understanding of the assumptions and methods of the specialist and to evaluate the objectivity and qualifications of the specialist.</p> | <ul style="list-style-type: none"> We have used GIS but do not rely on it. Some of Reclamation offices use GIS but it is not the official record. GIS does not fix acreages. It is used as a management tool and not as a real estate tool. GIS is not used to verify acres. Not all land contained within Park boundaries is owned/managed by NPS. |
| Given the historical nature of how public land | Yes, in general auditors would accept less conventional | <ul style="list-style-type: none"> Yes, we believe auditors should accept non- |

QUESTIONS FOR THE BOARD

| | Auditors/Consultants Identified: | Preparers Identified: |
|--|---|---|
| <p>was acquired, should non-conventional support like old maps, treaties, history book citations, Congressional reports, etc., be accepted?</p> | <p>support of initial amounts of acreage or units. However, going forward the auditor would expect that the agency has processes and controls to allow them to maintain accurate accountability and to readily provide documentation supporting ownership and amounts.</p> | <p>conventional support; we also believe that auditors would accept such support for public land holdings.</p> <ul style="list-style-type: none"> • Yes, we do believe auditors would accept such support for land holdings acquired long ago. • Auditors will not generally accept such evidence unless deviation from established audit standards are specifically allowed. • Auditors should be encouraged to allow leeway in the documentation types and/or management assertions without requiring documentation while applying modern day standards adopted by FASAB. Retrieving the information will be difficult and costly, if not readily available. |
| <p>If the Board requires disclosure of “estimated acreage” as opposed to just “acreage”, how will that affect you?</p> | <p>Disclosing estimated acreage will have a significant effect on audit procedures. Rather than the auditor verifying existence through physical inspection, the auditor will apply the standard for auditing accounting estimates. That standard provides the auditor with the option of selecting one of four sets of procedures, none of which involve inspection of units or acreage. Of course, the auditor can always choose to</p> | <ul style="list-style-type: none"> • Agree that this will help alleviate potential audit burden because “estimated acreage” infers a degree of latitude and flexibility for preparers as opposed to the inferred precision in requiring “acreage.” • Estimated acreage would help alleviate some potential audit burden. • We agree that will this |

QUESTIONS FOR THE BOARD

| | Auditors/Consultants Identified: | Preparers Identified: |
|--|---|--|
| | do more; i.e., inspect units in addition to complying with the accounting estimates standard. | <p>help alleviate potential audit burden. This will be a significant improvement. Significant areas of U.S. land have never been formally surveyed.</p> <ul style="list-style-type: none"> • We do not estimate acreages but instead utilize actual acreages. |

Results reveal that both auditors/consultants and preparers believe that (1) requiring “estimated acreage” versus “acreage” can be generally expected to alleviate audit burden, and (2) non-conventional audit support would be acceptable evidence absent actual deed/title or land survey support. However, results also reveal the following concerns:

- a. Requiring estimated acreage – any potential decreased preparer burden can be possibly offset or negated by increased audit burden in having to audit an “estimate” which may involve auditing the systems, processes, and controls used in developing the “estimate”.

Staff Recommendation

Approve the draft ED’s incorporation of “estimated acreage” and ask respondents whether they agree if such a requirement would alleviate audit burden.

QUESTIONS FOR THE BOARD

- b. Non-conventional audit support –
- i. Preparers are concerned that unless the accounting standards “hard-wire” this accommodation, auditors will still require traditional support where none in fact exists leading to audit exceptions.
 - ii. Auditors may be concerned that dictating the type of acceptable audit evidence in an accounting standard is beyond an accounting standards’ purpose adversely affecting their audit scope.

Staff Recommendation

- Review, edit and approve the “Supporting Documentation discussion at BFC Paragraphs A50 and A51.
- Defer providing specific examples or illustrative cases for future Implementation Guidance.

Question 3

Does the Board agree with the staff recommendations regarding (1) estimated acreage and (2) non-conventional audit support? If not, please explain why and note what changes or revisions you would suggest.

QUESTIONS FOR THE BOARD

Question 4: Implementation Approach

Although no clear consensus existed, most members seemed to favor the 2-year implementation time-line for exposure and subsequent re-deliberation. As such, the ED would propose an effective date of FY 2022 with early implementation.

Question 4

Does the Board agree with proposing a 2-year implementation period? If not, please explain why and note what changes or revisions you would suggest.

Question 5:

Staff is prepared to finalize a draft Exposure Draft (ED) so that a pre-ballot ED can be provided to the Board for the February 2018 meeting.

Question 5

Are there any (1) open technical matters that members would like to further consider or (2) other technical matters that the Board would like to staff to further research?

QUESTIONS FOR THE BOARD

Summary of Questions for the Board

Question 1 - Does the Board agree with the proposed draft Single Note Disclosure requirements? If not, please explain why and note what changes or revisions you would suggest.

Question 2 - Does the Board agree with the staff recommendation? If not, does the Board believe that to increase consistency and comparability regarding the reporting of physical units that we need to either (1) develop common definitions for each of the five categories along with physical unit examples such as those shown or (2) specify the category that physical units should be reported in; such as the physical nature of the land? If so, which approach would members suggest taking? Are there any other approaches members suggest we consider?

Question 3 - Does the Board agree with the staff recommendations regarding (1) estimated acreage and (2) non-conventional audit support? If not, please explain why and note what changes or revisions you would suggest.

Question 4 – Does the Board agree with proposing a 2-year implementation period? If not, please explain why and note what changes or revisions you would suggest.

Question 5 - Are there any (1) open technical matters that members would like to further consider or (2) other technical matters that the Board would like to staff to further research?

Review a draft Exposure Draft (ED) and provide staff with feedback so that a pre-ballot ED can be provided for review at the February 2018 meeting. As shown in Attachment 1, staff has incorporated edits primarily arising from member (1) editorial comments received on the August draft ED and (2) technical comments received in October concerning certain open issues raised by members during the review of the August meeting materials.

If you require additional information or wish to suggest another alternative not considered in the staff proposal, please contact staff as soon as possible. In most cases, staff will be able to respond to your request for information and prepare to discuss your suggestions with the Board, as needed, in advance of the meeting. If you have any questions or comments prior to the meeting, please contact me by telephone at 202-512- 6841 or by e-mail at savinid@fasab.gov with a cc to paynew@fasab.gov.

Accounting and Reporting of Government Land

Note: Subject to edits and revisions arising from this meeting, this revised draft ED will become the basis for a pre-ballot ED to be presented to members at the February 2018 meeting.



Federal Accounting Standards Advisory Board

ACCOUNTING AND REPORTING OF GOVERNMENT LAND

Statement of Federal Financial Accounting Standards

Exposure Draft

Written comments are requested by [90-days from issuance].

ISSUE DATE

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, 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 ~~the~~ 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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Federal Accounting Standards Advisory Board

ISSUE DATE

TO: ALL WHO USE, PREPARE, AND AUDIT FEDERAL FINANCIAL INFORMATION

Your comments on the exposure draft of a proposed Statement of Federal Financial Accounting Standards, entitled *Accounting and Reporting of Government Land*, are requested. Specific questions for your consideration appear on page 8 but you are welcome to comment on any aspect of this proposal. If you do not agree with the proposed approach, your response would be more helpful to the Board if you explain the reasons for your position and any alternative you propose. Responses are requested by **90-days from issuance**.

All comments received by ~~the~~-FASAB are considered public information. Those comments may be posted to ~~the~~-FASAB's website and will be included in the project's public record.

Mail delivery is delayed by screening procedures. Therefore, please provide your comments in electronic form by e-mail to fasab@fasab.gov. If you are unable to e-mail your responses, we encourage you to fax the comments to ~~(202)-~~**512-7366**. Alternatively, you may mail your comments to:

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
Mailstop **6H19**
441 G Street, NW, Suite **6814**
Washington, DC 20548

We will confirm receipt of your comments. If you do not receive confirmation, please contact our office at 202.**512.7350** to determine if your comments were received.

The Board's rules of procedure provide that it may hold one or more public hearings on any exposure draft. No hearing has yet been scheduled for this exposure draft.

Notice of the date and location of any public hearing on this document will be published in the Federal Register and in ~~the~~-FASAB's newsletter.

Sincerely,

D. Scott Showalter
Chairman

EXECUTIVE SUMMARY

WHAT IS THE BOARD PROPOSING?

To ensure consistent accounting treatment and reporting for land holdings while considering user information needs, the Board is proposing to (1) reclassify general property, plant and equipment (G-PP&E) -land as a non-capitalized asset, (2) clarify the definition for the Stewardship Land (SL) category, (3) require the reporting of G-PP&E land and SL using three predominant use sub-categories: Conservation and Preservation; Operational; and Commercial Use; and (4) require consistent and comparable disclosures of information for land (that is, reporting estimated acreage, physical quantity information, estimated acres of land held-for-disposal or exchange, and predominant land use).

Current accounting standards have resulted in significant differences in accounting and reporting for land. Specifically, Statement of Federal Financial Accounting Standards (SFFAS) 6, *Accounting for Property, Plant, and Equipment*, as amended, 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 land to a form and condition suitable for use. Some land used in connection with G-PP&E was not acquired for that purpose. Instead it was acquired as public land and subsequently transferred to reporting entities for use in connection with G-PP&E. Therefore, not all land used in connection with G-PP&E has been capitalized. In addition, recent amendments to SFFAS 6¹ allow reporting entities adopting generally accepted accounting principles for the first-time to elect to exclude land and land rights from G-PP&E opening balances. Reporting entities making the election would disclose acreage information.

For stewardship land, SFFAS 29, *Heritage Assets and Stewardship Land*, requires disclosures regarding policies for managing land, categories of land, and physical quantity information. Reporting entities select the physical quantity information to be reported which results in information that is not necessarily comparable.

The different reporting requirements and options raise several concerns regarding whether: (1) that reporting objectives are met, (2) and qualitative characteristics such as relevance and comparability are may not be met, and (3) comparable non-financial measures (such as acreage) would better meet reporting objectives and qualitative characteristics.

To address these concerns, the Board is proposing a consistent accounting and reporting approach that provides relevant and comparable non-financial information. To that end, the proposed changes would include (1) accounting for all land as a non-capitalized asset, (2) clarifying the SL definition so that SL used or acquired for in connection with items of general PP&E would not lose its distinction as stewardship land and would continue to be categorized as SL, (3) requiring the reporting of G-PP&E land and SL using three predominant use sub-categories based on predominant use; and (4) requiring uniform disclosures for all land including reporting estimated acreage information in addition to physical quantity information as well as identifying estimated acres of land held-for-disposal or exchange.

Comment [DS1]: Per ED on 5 December - We did not use "estimated" in SFFAS 6 as amended. As such, keep as "acreage".

Comment [DS2]: S. Showalter email dated 12 October - If we intend to require both (physical unit and acreage reporting), I believe we should be explicit in the ED.

Staff: See suggested edits in the conclusion paragraph item (4) "...in addition to....".

¹ SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment, et al.*

1 HOW WOULD THIS PROPOSAL IMPROVE FEDERAL FINANCIAL
2 REPORTING AND CONTRIBUTE TO MEETING THE FEDERAL FINANCIAL
3 REPORTING OBJECTIVES?

4 The proposed reporting of land would enable the government to demonstrate accountability to
5 citizens for G-PP&E land and SL.

6 Of the four objectives outlined in Statement of Federal Financial Accounting Concepts (SFFAC)
7 1, *Objectives of Federal Financial Reporting*, the **e**Operating **p**Performance and **s**Stewardship
8 objectives are identified as being most important for land reporting. -Land reporting is important
9 to meeting these objectives because the federal government is accountable to citizens for the
10 proper administration of its resources. -Because federal land is held on behalf of the American
11 people and some argue “priceless”, it is likely one of the most “valuable” assets the government
12 possesses. -Accordingly, land should be adequately disclosed in order to assist report users in
13 determining: (a) how much land is managed, (b) how land is being predominantly used, and (c)
14 how much land is held for disposal or exchange. Such disclosures help readers determine the
15 efficiency and effectiveness of the government’s management over land.

Operating Performance Objective

Federal financial reporting should assist report users in evaluating the service efforts, costs, and accomplishments of the reporting entity; the manner in which these efforts and accomplishments have been financed; and the management of the entity’s assets and liabilities. Federal financial reporting should provide information that helps the reader to determine:

- the costs of providing specific programs and activities and the composition of, and changes in, these costs;
- the efforts and accomplishments associated with federal programs and the changes over time and in relation to costs; and
- the efficiency and effectiveness of the government’s management of its assets and liabilities.

Source: SFFAC 1

16

17

Stewardship Objective

Federal financial reporting should assist report users in assessing the impact on the country of the government's operations and investments for the period and how, as a result, the government's and the nation's financial conditions have changed and may change in the future.

Federal financial reporting should provide information that helps the reader to determine whether:

- the government's financial position improved or deteriorated over the period,
- future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due, and
- government operations have contributed to the nation's current and future well-being.

Source: SFFAC 1

1
2

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QUESTIONS FOR RESPONDENTS

1

2

3 The Board encourages you to become familiar with all proposals in the Statement before
4 responding to the questions in this section. In addition to the questions below, the Board also
5 welcomes your comments on other aspects of the proposed Statement. Because the proposals
6 may be modified before a final Statement is issued, it is important that you comment on
7 proposals that you favor as well as any that you do not favor. Comments that include the
8 reasons for your views will be especially appreciated.

9 The Board believes that this proposal would improve federal financial reporting and contribute to
10 meeting the Federal financial reporting objectives. The Board has considered the perceived
11 costs associated with this proposal. In responding, please consider the expected benefits and
12 perceived costs and communicate any concerns that you may have in regard to implementing
13 this proposal.

14 The questions in this section are available in a Word file for your use at
15 www.fasab.gov/exposure.html.

16 Your responses should be sent by e-mail to fasab@fasab.gov. If you are unable to respond by
17 e-mail, please fax your responses to (202) 512-7366. Alternatively, you may mail your
18 responses to:

19 Wendy M. Payne, Executive Director
20 Federal Accounting Standards Advisory Board
21 Mailstop 6H19
22 441 G Street, NW, Suite 6814
23 Washington, DC 20548
24

25 All responses are requested by [90-days from issuance].
26

1 | Q1. The [Federal Accounting Standards Advisory Board \(FASAB or “the Board”\)](#)
2 | proposes reclassifying general property, plant and equipment (G-PP&E) land as a non-
3 | capitalized asset with no dollar amounts reported on the balance sheet. Any future
4 | acquisitions of land would be expensed on the ~~s~~Statement of ~~n~~Net ~~e~~Cost. For the
5 | proposed amendments, refer to paragraphs 8 through 10. For a detailed discussion and
6 | related explanation refer to paragraphs A9 through A12 and A13 through A16 in
7 | Appendix A; Basis for Conclusions.
8 |

9 | **Do you agree or disagree with the Board’s proposal to reclassify general PP&E**
10 | **land as a non-capitalized asset with no dollar amounts reported on the balance**
11 | **sheet? -Please provide the rationale for your answer.**

12 |
13 |
14 | Q2. In connection with the proposed reclassification noted above, the Board
15 | proposes predominant use reporting for G-PP&E land consistent with the existing
16 | stewardship land (SL) requirements contained at [Statement of Federal Financial](#)
17 | [Accounting Standards \(SFFAS\) 29, Heritage Assets and Stewardship Land](#). -For the
18 | proposed amendments, refer to paragraphs ~~8~~11 through ~~10~~13. For a detailed discussion
19 | and related explanation refer to paragraphs A17 ~~through A20 and A21~~ through A24 in
20 | Appendix A; Basis for Conclusions.
21 |

22 | **Do you believe that predominant use reporting should apply to both [stewardship](#)**
23 | **land~~SL~~ and G-PP&E land? -Please provide the rationale for your answer.**

24 |
25 |
26 | Q3. The Board has ~~developed~~ [a single-set of uniform](#) disclosure requirements ~~that~~
27 | ~~would apply uniformly to for~~ G-PP&E land and [Stewardship Land \(SL\)](#). For the proposed
28 | amendments, refer to paragraphs 10, and 12 through 14. For a detailed discussion and
29 | related explanation refer to paragraph A25 in Appendix A; Basis for Conclusions.

30 | **Do you agree or disagree with the Board’s proposed establishment of [uniform a](#)**
31 | **[single-set of disclosure requirements that would apply uniformly to for](#) G-PP&E**
32 | **land and [Stewardship Land \(SL\)](#)?**

33 |
34 | Q4. To augment existing requirements concerning the categorization and reporting of
35 | land, the Board proposes each category established by SFFAS 6, G-PP&E and SL, be
36 | ~~additionally~~ reported in three sub-categories based on predominant use: ~~C~~conservation
37 | and ~~P~~reservation; ~~O~~perational; and ~~C~~commercial ~~U~~se. For the proposed
38 | amendments, refer to paragraphs 8 through 10 (G-PP&E land) and 11 through 13 (SL
39 | and government-wide requirements). For a detailed discussion and related explanation
40 | refer to paragraphs A17 through A31 in Appendix A; Basis for Conclusions. For an
41 | illustration of the three sub-categories, refer to Appendix B.
42 |

43 | **a. Do you agree or disagree that the three proposed sub-categories ~~as~~**
44 | **~~defined in the glossary~~, predicated on predominant use, would result in**
45 | **information useful in meeting reporting objectives? -Please provide the rationale**
46 | **for your answer.**

Comment [DS3]: 5 December ED edits.

Comment [DS4]: Staff edit 27 November

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Comment [DS5]: 5 December ED edits.

1 | **b. How would you sufficiently define predominant use and what factors**
2 | **would influence your assessment of a land holdings' predominant use? -Please be**
3 | **as specific as possible and provide examples with your answer.**

4 |
5 | Q5. Another option is to eliminate both the G-PP&E land and SL distinctions and
6 | established categories for entity's land holdings solely based on predominant use. This
7 | option would combine disclosures into a single note disclosure for land with
8 | disaggregation based on predominant use categories. For the proposed amendments,
9 | refer to paragraphs 8 through 10 (G-PP&E land) and 11 through 13 (SL and government-
10 | wide requirements). For a detailed discussion and related explanation refer to
11 | paragraphs A17 through A20 and A21 through A24 in Appendix A; Basis for
12 | Conclusions.

Comment [DS6]: Staff edit 27 November

13 | **a. Do you support or oppose the option to eliminate both the G-PP&E land**
14 | **and SL distinctions and establish categories of land holdings solely based on**
15 | **predominant use? Please provide the rationale for your answer.**

16 | **b. If you do not support this option, do you believe that the separate**
17 | **disclosures for G-PP&E land and SL should be combined into a single note**
18 | **disclosure regarding land? -Please provide the rationale for your answer.**

19 |
20 | Q6. The Board wishes to clarify that G-PP&E land and permanent land rights are to
21 | remain in the G-PP&E category but are not to be capitalized. For the proposed
22 | amendments, refer to paragraphs 8 through 10. For a detailed discussion and related
23 | explanation refer to paragraphs A9 through A16, A24, and A32 in Appendix A; Basis for
24 | Conclusions.

25 |
26 | SFFAS 6, paragraph 25 is amended as follows:

27 | 25. Land and permanent land rights (land rights of unlimited
28 | duration) acquired for or in connection with other general PP&E²⁹
29 | shall be included in are considered general PP&E for purposes
30 | of disclosure but will not be capitalized on the balance sheet.
31 | General PP&E land shall exclude (1) any withdrawn public lands
32 | or (2) land restricted for conservation, preservation, historical or
33 | other like restrictions. Such land would remain categorized as
34 | stewardship land. unless the reporting entity made the election
35 | to implement the provisions of paragraph 40.f.i. In some
36 | instance, general PP&E may be built on existing Federal lands.
37 | In this case, the land cost would often not be identifiable. In
38 | these instances, general PP&E shall include only land and land
39 | rights with an identifiable cost that was specifically acquired for
40 | or in connection with construction of general PP&E.

Comment [DS7]: 5 December ED edit. To match par. 25 amendments in the proposed standards section.

41 | FN 29 - ²⁹"Acquired for or in connection with other
42 | general PP&E" is defined as land acquired with the intent
43 | to construct general PP&E and land acquired in

1 combination with general PP&E, including not only land
2 used as the foundation, but also adjacent land
3 considered to be the general PP&E's common grounds.

4 **Do you agree or disagree with the Board's proposal to amend the existing**
5 **definition of G-PP&E land to clarify that G-PP&E land and permanent land rights**
6 **are to remain in the G-PP&E category but are not to be capitalized as shown**
7 **above? Please provide the rationale for your answer.**
8

9 Q7. To clarify the existing definition of Stewardship land (SL), the Board proposes
10 amending the current definition including footnote 16 as shown below.
11

12 SFFAS 29, paragraphs 33 and 36 and footnote 16 are amended as follows:

13 ~~33~~-Stewardship Land is includes both public domain and acquired lands and
14 land rights¹⁵ owned by the Federal Government intended to be held indefinitely,
15 but not acquired for or in connection with¹⁶ items of general PP&E. Examples of
16 stewardship land include land reserved, managed, planned, used or acquired
17 for¹⁶; as forests and parks, and land used for wildlife and grazing.

- 18 1. forests and parks,
- 19 2. recreation and conservation,
- 20 3. wildlife habitat and grazing,
- 21 4. historic landmarks and/or to preserve pre-historic and historic structures
22 (those listed on or eligible for listing on the National Register of Historic
23 Places),
- 24 5. multiple purpose ancillary revenue generating activity (for example,
25 special use permits, mineral development activities and timber
26 production),
- 27 6. buffer zones for security, flood management , and noise and view sheds.
28

29 **FN15** - Land rights are interests and privileges held by the entity in land owned
30 by others, such as leaseholds, easements, water and water power rights,
31 diversion rights, submersion rights, rights-of-way, mineral rights, and other like
32 interests in land.

33 **FN16** - "Used or Acquired for or in connection with" is defined as including (1)
34 public land or acquired land used acquired with the intent to construct general
35 PP&E and (2) land acquired in combination with general PP&E, including not
36 only land used as the foundation, but also adjacent land considered to be the
37 general PP&E's common grounds. Land used or acquired for in connection with
38 items of general PP&E but meeting the definition of stewardship land should be
39 classified as stewardship land unless such land is not distinct or clearly
40 identifiable. In such cases, categorization as general PP&E would be
41 appropriate.
42

Comment [DS8]: Per S. Showalter 25 August email - Could we say multiple purpose revenue generating activity?

Staff: Concur.

Comment [DS9]: Per G. Scott email dated 22 August - include ancillary before revenue generation.

Staff: Concur.

1 | For the proposed amendments, refer to paragraphs 11 and 12a. For a
2 | detailed discussion and related explanation refer to paragraphs A9
3 | through A16, A26 through ~~A31 and~~ A32 in Appendix A; Basis for
4 | Conclusions.

5 | **Do you agree or disagree with the Board’s proposal to amend the existing**
6 | **definition of Stewardship Land (SL) including footnote 16 as shown above?**
7 | **Please provide the rationale for your answer.**

8 |
9 |
10 | Q8. The Board believes that the estimated number of acres of land held for disposal
11 | or exchange should be included as additional specific disclosures. For the proposed
12 | amendments, refer to paragraphs 10, 12, 13, and through 14. For a detailed discussion
13 | and related explanation refer to paragraphs A9 through A12, A28, and A33 through A37
14 | in Appendix A; Basis for Conclusions.

15 |
16 | **Do you agree or disagree with the Board’s position that and the estimated number**
17 | **of acres of land held for disposal or exchange should be included as additional**
18 | **specific disclosures? -Please provide the rationale for your answer.**

19 |
20 | Q9. To assist preparers in identifying estimated acres of land held-for-disposal or
21 | exchange, the Board proposes the definition shown below.

22 |
23 | Land (acresacreage) is considered held-for-disposal or exchange when
24 | the entity has satisfied the legislative disposal authority requirements
25 | specific to the land in question. Disposal includes conveyances of
26 | federal land not limited to sale, transfer, exchange, lease, public-private
27 | partnership, and donation or any combination thereof. FN

28 | Footnote - Entity decisions to identify and classify land as held for
29 | disposal or exchange often require public participation and diverse
30 | clearances such as environmental and economic impact studies,
31 | surveys, and appraisals.

32 | For the proposed amendments, refer to paragraphs 10, 12, 13, and through
33 | 14. For a detailed discussion and related explanation refer to paragraphs
34 | A9 through A12, ~~A2827~~, and A33 through A37 in Appendix A; Basis for
35 | Conclusions.

36 | a. **Do you agree or disagree with the Board’s proposal to include a definition of**
37 | **acres of land held-for-disposal or exchange including a footnote as shown**
38 | **above to assist preparers in identifying estimated acres of land held-for-**
39 | **disposal or exchange? Please provide the rationale for your answer.**

40 | b. **Do you agree or disagree with the proposed definition? -If not, suggest how**
41 | **you would define estimated acres of land held for disposal or exchange?**
42 | **Please provide the rationale for your answer.**

Comment [DS10]: Per 31 August Board meeting.

1
2 Q10. The Board proposes that entities report land information (that is, estimated
3 acreage information, predominant use sub-categories, estimated acres held-for-disposal
4 or exchange and all other information requirements) as a Note disclosure. For the
5 proposed amendments, refer to paragraphs 109 and (G-PP&E land), 1212 and 13 (SL),
6 and 14 (GFR consolidated financial report of the U.S. Government). For a detailed
7 discussion and related explanation refer to paragraphs A38A3838 through A40A4040 in
8 Appendix A; Basis for Conclusions. For an illustration of the three categories, refer to
9 Appendix B.

Comment [DS11]: Per 31 August Board meeting.

- 10 a. Do you agree or disagree that this land information should be presented as
11 basic information via note disclosure? -Please provide the rationale for your
12 answer.
- 13 b. If you disagree that land information should be presented as basic information
14 via note disclosure, please suggest other reporting alternatives that the Board
15 should consider. Please provide the rationale for your alternative(s).
- 16 c. Are there any other types of information relevant to the reporting of land that
17 the Board should consider? -Please provide the rationale for your answer.

18
19 Q11. In balancing user needs and preparer burden, the Board would like to consider
20 specific factors respondents believe should be taken into consideration when
21 establishing an effective date for this proposed Statement. -For a detailed discussion
22 and related explanation refer to paragraphs A9 through A12 and A41 through A44 in
23 Appendix A; Basis for Conclusions. For an illustration of the proposed strategies, refer to
24 Appendix B-1.

Comment [DS12]: This question was added pursuant to the 31 August Board meeting, however, at the October meeting members seemed to favor a 2 year implementation period.

Staff believes we should modify the question and offers suggested edits.

- 25 a. What specific factors should the Board take into consideration when
26 considering an effective date? -Please note how such factors might affect both
27 users and preparers and provide the rationale for your answer.

28 Q12. ~~The Board proposes rescinding guidance specific to SL contained within~~
29 ~~Technical Release 9: Implementation Guide for Statement of Federal Financial~~
30 ~~Accounting Standards 29: Heritage Assets and Stewardship Land. For the proposed~~
31 ~~amendments, refer to paragraph 177 (SL). For a detailed discussion and related~~
32 ~~explanation refer to paragraph A4545 in Appendix A; Basis for Conclusions.~~

Comment [DS13]: Per ED on 6 December - We should address all edits to the TR through the AAPC.

33 ~~Do you agree or disagree with the Board's proposal to rescind guidance specific~~
34 ~~to SL contained within Technical Release 9? - Please provide the rationale for your~~
35 ~~answer.~~

36
37
38 Q13-Q12. The Board has continually noted the fundamental problems associated
39 with providing corroborating documentation to auditors on historical assets including
40 land. -To that end, Technical Release 9: *Implementation Guide for Statement of Federal*
41 *Financial Accounting Standards 29: Heritage Assets and Stewardship Land*, addresses
42 this difficulty.- Specifically, paragraph 85, discussing Methodology for Developing
43 Supporting Documentation, states in part that a methodology needs to be employed in
44 order to develop alternative documentation to support management's assertions of

Comment [DS14]: Staff edit 27 November.

Comment [DS15]: Per 31 August Board meeting.

1 federal ownership. For a detailed discussion and related explanation refer to paragraphs
2 A50 and A51A54 in Appendix A; Basis for Conclusions.

3 **a. Would incorporating any of the guidance contained in Technical Release 9**
4 **into the accounting standards facilitate the attestation process? -For**
5 **example, should the list of examples of the supporting documentation**
6 **contained at paragraph 85 in Technical Release 9, be incorporated, changed**
7 **or expanded to facilitate implementation of the proposed requirements?**
8 **Please provide the rationale for your answer.**

9
10 **b. If any, what type of accounting guidance should be provided that provides**
11 **flexibility for supporting estimated acreage disclosures? Please provide the**
12 **rationale for your answer.**

Comment [DS16]: Per S. Showalter 25 August email - Should we ask if we are missing any guidance?

Staff: Concur. Please see suggested edits.

14 **Q13.** The Board encourages respondents to not only provide input concerning any and
15 all aspects of the proposed changes, including whether concepts are sufficiently clear
16 and the proposed effective date, but also other matters which may not have been
17 specifically addressed in this exposure draft. In addition, the basis for conclusions
18 explains the Board's goals for this project (see comments beginning at paragraph A1)
19 and also discusses other issues raised by task force members as well as experts and
20 practitioners both within and external to government (as an example, see paragraphs A1
21 through A8).

Comment [DS17]: Per 31 August Board meeting.

22 Moreover, the Board is interested in receiving comments specific to:

Comment [DS18]: 5 December ED wording in paragraph (1).

23 (1) its proposed use of non-financial information (NFI) related to land as a means to
24 provide information more relevant than the financial recognition and measurement of
25 land,

26 (2) whether requiring the disclosure of "estimated acreage" instead of "acreage"
27 would provide preparers greater flexibility and reduced burden while still ensuring
28 that user needs are met,

29 (3) the application of materiality to NFI, and

30 (4) whether materiality is affected by the presentation of land information as basic,
31 required supplementary information, or other accompanying information.

32 **a. Please provide your thoughts and rationale concerning the four areas**
33 **noted above.**

34 **b. Please provide any other comments or suggestions you have regarding the**
35 **goals for this project, other issues identified in the basis for conclusions,**
36 **or areas which have not been addressed.**

INTRODUCTION

PURPOSE

1. The purpose of this Statement is to ensure consistent accounting treatment and reporting for land holdings by proposing to (1) reclassify general property, plant and equipment (G-PP&E) land as a non-capitalized asset; (2) clarify the definition for the **Stewardship Land (SL)**² category; (3) require the reporting of G-PP&E and SL using three predominant use sub-categories: **Conservation and Preservation**; **Operational**; and **Commercial Use**; (4) require consistent and uniform disclosures of information for all land (that is, reporting **estimated** acreage, physical quantity information, **estimated acres of land held-for-disposal or exchange**, and predominant land use).
2. Consistent measurement and recognition practices can be expected to increase user comparability and understandability while eliminating different accounting and reporting requirements especially given that all land is a non-depreciable asset regardless of its purpose or use. Implementation of existing standards has resulted in significant differences in the accounting and reporting treatment for federal land holdings. For example, SFFAS 6, *Accounting for Property, Plant, and Equipment*, requires that land and land rights acquired for or in connection with other G-PP&E be capitalized on the balance sheet whereas SFFAS 29, *Heritage Assets and Stewardship Land*, requires SL to be reflected on the balance sheet at no cost but recognized on the statement of net cost for the period in which any acquisition cost is incurred. Additionally, existing accounting standards provide for measurement, recognition, and reporting of G-PP&E land and the reporting of SL predicated on the intent at the time of acquisition. That intent does not necessarily reflect how the land was predominantly used during the reporting period. As a result of this difference between intent at acquisition and actual land use for G-PP&E Land and the differing accounting policies between G-PP&E Land and SL, significant reporting differences exist for land.
3. Clarifying the SL definition and requiring the use of three predominant use sub-categories can be expected to reduce accounting and reporting differences and reduce preparer burden while benefiting users. Additionally, implementation differences and in some cases preparer difficulties have arisen due to the definitions contained in existing guidance. As a result, differences exist for example due to (1) the current use of a land holding is sometimes different from the initial intent at the time of acquisition and (2) inconsistent treatment of withdrawn public land placed into operations.
4. **Comparability**³ among entity disclosures can be expected to benefit users of land information. As a result of the differing accounting standards, entity-specific disclosures are not comparable between G-PP&E land and SL as well as among other reporting entities. To the extent possible, the Board desires to reduce the lack of comparability by (1) treating all

² Terms defined in the Glossary are shown in **bold-face** the first time they appear.

³ SFFAC 1, par. 164, provides that "Financial reporting should help report users make relevant comparisons among similar federal reporting units, such as comparisons of the costs of specific functions or activities. Comparability implies that differences among financial reports should be caused by substantive differences in the underlying transactions or organizations rather than by the mere selection of different alternatives in accounting procedures or practices."

Comment [DS19]: Per M. Granof teleconference – clarify and emphasize "purpose" of land at acquisition versus its "actual use."

Staff: Please see where I added in language from the Executive Summary which made this distinction.

Comment [DS20]: Per M. Granof teleconference – clarify comparability.

Staff: Please see suggested edits to this paragraph. We propose (1) eliminating the DM&R example and (2) simply stating that the lack of comparability arises from having differing standards.

Comment [DS21]: Per M. Granof email dated 20 August - Can we seriously argue that there is a need for comparability among agencies? After all, who would want or need to compare the amount of acres (or their value) held by agencies that have entirely different missions. I believe that we should be emphasizing the difficulty of providing values of land that are both decision-useful and objective and that requiring entities to provide historical cost-basis

Staff: Please see suggested edits. I will attempt to address your valuation concern in BFC paragraphs A18 – A21.

Comment [DS22]: S. Showalter email dated 12 October - If we intend to require both (physical unit and acreage reporting), I believe we should be explicit in the ED.

Staff: See suggested edits in the conclusion paragraph; item (4) "...in addition to...". I copied the same language we suggest for the Executive Summary.

1 land as a non-capitalized asset, (2) clarifying the SL definition so that SL used or acquired
2 for in connection with items of general PP&E would continue to be categorized as SL, (3)
3 requiring the reporting of G-PP&E land and SL using three predominant use sub-categories;
4 and (4) requiring that disclosures for all land include estimated acreage information in
5 addition to physical quantity information as well as estimated ~~acreage~~ acres held-for-disposal
6 or exchange. These changes should result in comparable land information and any
7 remaining lack of comparability would reflect unique entity mission requirements and
8 operations.

9 MATERIALITY

10 5. The provisions of this Statement need not be applied to immaterial items. The determination
11 of whether an item is material depends on the degree to which omitting or misstating
12 information about the item makes it probable that the judgment of a reasonable person
13 relying on the information would have been changed or influenced by the omission or the
14 misstatement.

PROPOSED STANDARDS

SCOPE

6. 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.
7. This Statement amends:⁴
- 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: et al*.
 - 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, et al*.
 - f. ~~Technical Release 9: Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land.~~

Comment [DS23]: Per M. Granof 20 Aug email Consider placing this in a footnote and making is applicable not just to para. 45 but to all amendments.

Staff: Concur. Please see suggested edit.

Comment [DS24]: Per P. McNamee August 28 email - Should we consider amendment requiring DM&R for general PP&E land be presented separately from DMR for general PP&E capitalized on the balance sheet?

Staff: Concur. Thank you. Please see suggested edits to SFFAS 42 later in document.

Comment [DS25]: Per ED on 6 December - We should address all edits to the TR through the AAPC.

⁴ Proposed amendments to each of the Statements include, where applicable, (1) strikethrough deletions of existing text and (2) red-underlined additions.

1 AMENDMENTS TO SFFAS 6, ACCOUNTING FOR PROPERTY, PLANT, AND
2 EQUIPMENT

3 8. This paragraph amends SFFAS 6 to clarify land and permanent land rights are to remain in
4 the G-PP&E category but are not to be capitalized.

5 a. Paragraph 25 is amended as follows:

6 25. Land and permanent land rights (land rights of unlimited duration)
7 acquired for or in connection with other general PP&E²⁹ shall be
8 included in are considered general PP&E for purposes of disclosure but
9 will not be capitalized on the balance sheet. General PP&E land shall
10 exclude (1) any withdrawn public lands or (2) land restricted for
11 conservation, preservation, historical or other like restrictions. Such land
12 would remain categorized as stewardship land, unless the reporting
13 entity made the election to implement the provisions of paragraph 40.f.i.
14 In some instance, general PP&E may be built on existing Federal lands.
15 In this case, the land cost would often not be identifiable. In these
16 instances, general PP&E shall include only land and land rights with an
17 identifiable cost that was specifically acquired for or in connection with
18 construction of general PP&E.

19 FN 29 - "Acquired for or in connection with other general PP&E"
20 is defined as land acquired with the intent to construct general
21 PP&E and land acquired in combination with general PP&E,
22 including not only land used as the foundation, but also adjacent
23 land considered to be the general PP&E's common grounds.

24 b. Footnote 46 which provides examples of major classes of assets is
25 amended as follows:

26 "Major classes" of general PP&E shall be determined by the entity.
27 Examples of major classes include buildings and structures, furniture
28 and fixtures, equipment, and vehicles, and land.

29 c. Revise paragraph 26 as follows:

30 26. All g General PP&E other than land and permanent land rights shall be
31 recognized as an asset on the balance sheet and recorded at cost. Although the
32 measurement basis for valuing general PP&E remains historical cost, reasonable
33 estimates may be used to establish the historical cost of general PP&E, in accordance
34 with the asset recognition and measurement provisions herein. Cost shall include all
35 costs incurred to bring the PP&E to a form and location suitable for its intended use. For
36 example, the cost of acquiring property, plant, and equipment may include: [no changes
37 to the list that follows]

38 d. Insert a new paragraph and footnote following the heading "Expense
39 Recognition" and before existing paragraph 35 as follows:

Comment [WP26]: Per ED Review. This is not necessary. The whole sentence as well as the next sentence are not necessary. The two sentences seem more like implementation guidance.

1 | 34A. The cost of acquiring- general PP&E land and permanent land rights should be
2 | recognized on the statement of net cost for the period in which the cost is incurred. The
3 | cost should include all costs to prepare general PP&E land or a permanent land right for
4 | its intended use (e.g., razing a building). In some cases, land may be acquired along
5 | with existing structures. If the structure is to be used in operations, the amount related
6 | to the structure should be estimated and capitalized while the amount related to the
7 | land should be expensed. If acquisition of the structure is a byproduct of the acquisition
8 | of the land, the cost of the entire acquisition should be expensed. No amounts for
9 | general PP&E land or permanent land rights acquired through donation or devise ^{17.1}
10 | shall be recognized in the financial statements.

Comment [DS27]: Per M. Granof 20 Aug email - Better to say "the cost of acquiring general PP&E" or the acquisition cost....."
Staff: Concur. Please see edit.

11 | FN 17.1 - Acquisition of general PP&E can also occur due to legal devise or
12 | instrument such as a will or clause within a will that bequeaths property to an
13 | entity.

14 | e. Amend existing paragraph 35 as follows:

15 | 35. Depreciation expense is calculated through the systematic and rational allocation of
16 | the cost of general PP&E, less its estimated salvage/residual value, over the estimated
17 | useful life of the general PP&E. Depreciation expense shall be recognized on all
18 | general PP&E,⁴¹ except land and permanent land rights which shall be expensed as
19 | incurred of unlimited duration.⁴²

20 | FN 41 - Software ~~and land~~ [See SFFAS 10 for standard regarding internally
21 | developed software] and ~~land~~ [See SFFAS 10 for standard regarding internally
22 | developed software]-rights, while associated with tangible assets, may be
23 | classified as intangible assets by some entities. In this event, they would be
24 | subject to amortization rather than depreciation. "Amortization" is applied to
25 | intangible assets in the same manner that depreciation is applied to general
26 | PP&E—tangible assets.

Comment [DS28]: Per ED review. We mean land rights. Not sure why the reference to SFFAS 10 is placed there. Staff corrected and adjusted accordingly by moving the SFFAS 10 reference.

27 | FN 42 - Land rights that are for a specified period of time shall be depreciated or
28 | amortized over that time period.

29 |
30 | 9. This paragraph amends SFFAS 6, paragraph 40 by providing guidance for establishing
31 | opening balances consistent with the amended reporting requirements for general PP&E
32 | land.

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

1 i. The reporting entity may exclude ~~land and~~ land rights of limited duration from the
2 opening balance of general PP&E. If this alternative method is applied, the reporting
3 entity should expense future land and land right acquisitions.

4 ii. Land ~~and land~~ rights of limited duration may be recognized in opening balances based
5 on the provisions of the alternative valuation method (deemed cost) provided in
6 paragraph 40.d.

7 40.h.ii. A component reporting entity electing to apply the provisions of paragraph 40.f.i.
8 to ~~land and~~ land rights of limited duration should disclose this fact and describe the
9 alternative methods used in the first reporting period in which the reporting entity makes
10 an unreserved assertion that its financial statements, or one or more line items, are
11 presented fairly in accordance with GAAP. ~~A component reporting entity electing to~~
12 ~~exclude land and land rights of limited duration from its general PP&E opening balances~~
13 ~~must disclose, with a reference on the balance sheet to the related disclosure, the~~
14 ~~number of acres held at the beginning of each reporting period, the number of acres~~
15 ~~added during the period, the number of acres disposed of during the period, and the~~
16 ~~number of acres held at the end of each reporting period.~~ A reporting entity electing to
17 exclude ~~land and~~ land rights of limited duration from its general PP&E opening balance
18 should continue to exclude future ~~land and land rights~~ acquisition amounts and ~~provide~~
19 ~~the disclosures~~ disclose this practice. In the event different alternative methods are
20 applied ~~to land and land rights~~ (as permitted by paragraph 40.f.) by subcomponent
21 reporting entities consolidated into a larger reporting entity, the alternative method
22 adopted by each significant subcomponent should be disclosed.

23 10. This paragraph amends SFFAS 6 disclosure requirements by (i) inserting a new paragraph
24 immediately following paragraph 45 that adds disclosure requirements applicable to G-
25 PP&E land and (ii) amending disclosure requirements for the government-wide financial
26 statements. ~~Proposed disclosure requirements related to land are (a) estimated acreage~~
27 ~~and physical unit information, (b) land information presented in three new sub-categories~~
28 ~~based on predominant use, and (c) information regarding land held for disposal or~~
29 ~~exchange.~~

30 **45A. The following information should be provided regarding G-PP&E Land and**
31 **permanent land rights:**

- 32 • A concise statement explaining how land relates to the mission of the entity.
- 33 • A brief description of the entity's policies for land. Policies for land are the goals
34 and principles the entity established to guide its acquisition, maintenance, use,
35 and disposal of land consistent with statutory requirements, prohibitions, and
36 limitations governing the entity and the land.
- 37 • The following information should be provided by sub-category of land use. Land
38 and permanent land rights should be assigned to one of three sub-categories
39 based on its predominant use and reported both in physical units and estimated
40 acreage. The three sub-categories are: Conservation and Preservation;
41 Operational; and Commercial Use. Where land and permanent land rights
42 have more than one use, the predominant use of the land should be used to sub-
43 categorize the land.

Comment [DS29]: Per S. Showalter October pre-brief meeting. Clarify that we require reporting in both physical units and estimated acreage.

Staff: See additional language.

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(a) Acres. The estimated number of acres at the beginning of each reporting period, the number added during the period, and the number disposed during the period, and the net number transferred between categories (that is, SL and G-PP&E land) or transferred among the three sub-categories during the period, and the number of acres at the end of each reporting period for land and permanent land rights.

(b) Physical unit information (other than acresacreage). The appropriate physical units of measure of land use should be meaningful and determined by the preparer based on the entity's mission, sub-category of land use, and how it manages the land. For example, a physical unit might be based on the nature of the land, geographic management units, projects, goals, or activity levels. Physical unit information should include a concise definition of the physical unit, a beginning balance, units acquired, units withdrawn, transfers, and an ending balance.

- - (a) The amount of physical units and estimated acresacreage held for disposal or exchange. For purposes of this standard, land is considered held-for-disposal or exchange when the entity has satisfied the legislative disposal authority requirements specific to the land in question.
 - 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.
 - Entities should include a reference to the deferred maintenance and repairs information reported in required supplementary information.

iii. The above listed disclosure requirements for G-PP&E 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.

Comment [DS30]: Per B. Dacey – October Board meeting. Allow for net amount of transfers.

Per 12/4/17 Telecon – Mr. Dacey intended that “transfers” between categories and sub-categories be netted. However, additions (acquisitions) and disposals (sales) should be discretely identified.

Comment [WP31]: Staff edit. Staff suggests adding “net” to number transferred. Although not necessary, it makes it clearer.

1 10a. This paragraph amends SFFAS 6, Chapter 2: *Property, Plant, And Equipment, Definitions*
2 beginning immediately after paragraph 20 as follows:

3 | 20A. Acres of Land Held for Disposal or Exchange - For purposes of this standard,
4 | land (acresacreage) is considered held-for-disposal or exchange when the entity has
5 | satisfied the legislative disposal authority requirements specific to the land in question.
6 | Disposal includes conveyances of federal land not limited to sale, transfer, exchange,
7 | lease, public-private partnership, and donation or any combination thereof.

8 | 20B. Commercial Use – Land or land rights which are predominantly used to generate
9 | inflows of resources from non-federal third parties usually through special use permits,
10 | right-of-way grants, and leases. Such inflows may arise from exchange or non-exchange
11 | activities and may or may not be considered dedicated collections. Some examples
12 | include revenue or inflows derived from:

- 13 | 1. concession arrangements,
- 14 | 2. grants for a specific project such as electric transmission lines,
15 | communication sites, roads, trails, fiber optic lines, canals, air rights,
16 | flumes, pipelines, and reservoirs.
- 17 | 3. land sales or land exchanges,
- 18 | 4. leases,
- 19 | 5. permits for public use such as commercial filming and photography,
20 | advertising displays, agriculture , recreation residences and camping,
21 | recreation facilities, temporary use permits for construction equipment
22 | storage and assembly yards, well pumps, and other such uses,
- 23 | 6. forest product sales such as timber, or sales arising from national forests
24 | and grasslands.
- 25 | 7. public-private partnerships.

26 | 20C. Conservation and Preservation - Land or land rights which are predominantly
27 | used for conservation or preservation purposes. Conservation and preservation although
28 | closely linked are distinct terms. -Each term involves a certain type or degree of
29 | protection. -Specifically, conservation is generally associated with the protection and
30 | proper use of natural resources whereas preservation is associated with the protection
31 | of buildings, objects, and landscapes from use.

32 | 20D. Operational – Land or land rights predominantly used for general or administrative
33 | purposes. -For example, the following functions performed by entities would be included
34 | in this sub-category:

35 | Military - to prepare for the effective pursuit of war and military operations short of
36 | war; to conduct combat, peacekeeping, and humanitarian military operations;
37 | and to support civilian authorities during civil emergencies.

38 | Scientific – to conduct and manage research, experimentation, exploration and
39 | operations to include the development of commercial capabilities. Broad scientific
40 | fields of study generally include (1) physical sciences (physics, astronomy,
41 | chemistry, geology, metallurgy), (2) biological sciences (zoology, botany,
42 | genetics, paleontology, molecular biology, physiology), and (3) social sciences
43 | (psychology, sociology, anthropology, economics).

1 Nuclear – to manage or regulate the use of nuclear energy, power plants,
2 radioactive materials, radioactive material shipments, nuclear storage, and
3 nuclear reactor decommissioning.
4 Other Related – that are operational, administrative, or other in nature. For
5 example, land used for readiness and training, office building locations, storage
6 or vacant.

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1 AMENDMENTS TO SFFAS 29, HERITAGE ASSETS AND STEWARDSHIP
2 LAND

3 | 11. This paragraph amends SFFAS 29 to clarify the definition of Stewardship Land and
4 references to general PP&E.

5 a. Paragraph 33 and footnote 16 are amended as follows:

6 Stewardship Land ~~is~~ includes both public domain and acquired lands and land rights¹⁵
7 owned by the Federal Government intended to be held indefinitely, ~~but not acquired for~~
8 ~~or in connection with~~¹⁶ ~~items of general PP&E~~. Examples of stewardship land include
9 land reserved, managed, planned, used or acquired for¹⁶; ~~as forests and parks, and land~~
10 ~~used for wildlife and grazing.~~

- 11 1. forests and parks,
- 12 2. recreation and conservation,
- 13 3. wildlife habitat and grazing,
- 14 4. historic landmarks and/or to preserve pre-historic and historic structures
15 (those listed on or eligible for listing on the National Register of Historic
16 Places),
- 17 5. multiple purpose ancillary revenue generating activity (for example,
18 special use permits, mineral development activities and timber
19 production),
- 20 6. buffer zones for security, flood management , and noise and view sheds.

22 **FN15** - Land rights are interests and privileges held by the entity in land owned
23 by others, such as leaseholds, easements, water and water power rights,
24 diversion rights, submersion rights, rights-of-way, mineral rights, and other like
25 interests in land.

26 **FN16** - ~~"Used or Acquired for or in connection with"~~ is defined as including ~~(1)~~
27 public land or acquired land used ~~acquired~~ with the intent to construct general
28 PP&E and ~~(2)~~ land acquired in combination with general PP&E, including not
29 only land used as the foundation, but also adjacent land considered to be the
30 general PP&E's common grounds. Land used or acquired for in connection with
31 items of general PP&E but meeting the definition of stewardship land should be
32 classified as stewardship land unless such land is not distinct or clearly
33 identifiable. In such cases, categorization as general PP&E would be
34 appropriate.

35 b. Paragraph 35 is amended as follows:

36 Land and land rights ~~owned by the Federal Government and acquired for or in~~
37 ~~connection with items of~~ meeting the definition of general PP&E established in SFFAS
38 6, as amended, should be accounted for in accordance with SFFAS 6, as amended,
39 ~~and reported as general PP&E.~~

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

Comment [DS32]: Per S. Showalter 25 August email - Could we say multiple purpose revenue generating activity?

Staff: Concur.

Comment [DS33]: Per G. Scott email dated 22 August – include ancillary before revenue generation.

Staff: Concur. Please see edit.

1 Transfers of stewardship land from one Federal entity to another, does not affect the
2 net cost of operations or net position of either entity. However, in some cases, land
3 included in general PP&E may be transferred to an entity for use as stewardship land.
4 In this instance, the transferring entity entities should properly adjust for estimated
5 acreage and physical unit disclosures recognize a transfer out of capitalized assets.²⁰

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

8 12. This paragraph amends SFFAS 29, paragraph 40 to revise disclosure requirements to
9 require estimated acreage and physical unit information and clarify the sub-categorization
10 and reporting of land use. Sub-categorization will be based on predominant use using three
11 new sub-categories. Further, disclosures will provide information regarding land held for
12 disposal and transfers of land.

13 a. Paragraph 40 is amended as follows:

14 40. Entities with stewardship land should reference a note²¹ on the balance sheet that
15 discloses information about stewardship land, but no asset dollar amount should be
16 shown. The note disclosure related to stewardship land should provide the following:

- 17 • A concise statement explaining how stewardship land relates to the mission of
18 the entity.
- 19 • A brief description of the entity's policies for stewardship land. Policies for land
20 are the goals and principles the entity established to guide its acquisition,
21 maintenance, use, and disposal of land consistent with statutory requirements,
22 prohibitions, and limitations governing the entity and the land.
- 23 • The following information should be provided as well as by sub-category of land
24 use. Stewardship land and permanent land rights should be assigned to one of
25 three sub-categories based on its predominant use and reported both in physical
26 units and estimated acreage. The three sub-categories are: Conservation and
27 Preservation; Operational; and Commercial Use. Where stewardship land
28 and permanent land rights have more than one use, the predominant use of the
29 land should be used to sub-categorize the land.

30 (a) Acres. The estimated number of acres at the beginning of each reporting
31 period, the number added during the period, and the number disposed
32 during the period, and the net number transferred between categories (that is,
33 SL and G-PP&E land) or transferred among the three sub-categories during
34 the period, and the number of acres at the end of each reporting period for
35 land and permanent land rights.

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37 (b) Physical unit information (other than acres/acreage). The appropriate physical
38 units of measure of stewardship land use should be meaningful and
39 determined by the preparer based on the entity's mission, sub-category of
40 land use, and how it manages the land. For example, a physical unit might be
41 based on the nature of the land, geographic management units, projects,
42 goals, or activity levels. Physical unit information should include a concise

Comment [DS34]: Per S. Showalter October pre-brief meeting. Clarify that we require reporting in both physical units and estimated acreage.

Staff: See additional language.

Comment [DS35]: Per B. Dacey – October Board meeting. Allow for net amount of transfers.

Per 12/4/17 Telecon – Mr. Dacey intended that "transfers" between categories and sub-categories be netted. However, additions (acquisitions) and disposals (sales) should be discretely identified.

Comment [WP36]: Staff edit. Staff suggests adding "net" to number transferred. Although not necessary, it makes it clearer.

1 definition of the physical unit, a beginning balance, units acquired, units
2 withdrawn, transfers, and an ending balance.

- 3 • The amount of physical units and estimated acreage held for disposal or
4 exchange. For purposes of this standard, stewardship land is considered held-
5 for-disposal or exchange when the entity has satisfied the legislative disposal
6 authority requirements specific to the land in question.
- 7 • Stewardship Land rights information should include a general description of the
8 different types of rights acquired by the entity, whether such rights are permanent
9 or temporary, and amounts paid during the year to maintain such rights.
- 10 • Entities should include a reference to the deferred maintenance and repairs
11 information reported in required supplementary information.

12
13 FN 21 - This standard does not prescribe a specific reference or line item entitled
14 "Stewardship Land" as it may be included with other items for which no dollar amounts
15 are recognized (such as heritage assets and other items that in the future may require
16 similar non-financial disclosure) for presentation. Instead, the standard allows entities
17 flexibility in determining the best presentation.

18 | 12a. This paragraph amends SFFAS 29, Stewardship Land Definitions, beginning
19 immediately after paragraph 36 as follows:

20 | 36A. Acres of Land Held for Disposal or Exchange - For purposes of this
21 standard, land (acresacreage) is considered held-for-disposal or exchange when
22 the entity has satisfied the legislative disposal authority requirements specific to
23 the land in question. Disposal includes conveyances of federal land not limited to
24 sale, transfer, exchange, lease, public-private partnership, and donation or any
25 combination thereof.

26 | 36B. Commercial Use – land or land rights which are predominantly used to
27 generate inflows of resources from non-federal third parties usually through
28 special use permits, right-of-way grants, and leases. Such inflows may arise from
29 exchange or non-exchange activities and may or may not be considered
30 dedicated collections. Some examples include revenue or inflows derived from:

- 31 1. concession arrangements,
- 32 2. grants for a specific project such as electric transmission lines,
33 communication sites, roads, trails, fiber optic lines, canals, air rights,
34 flumes, pipelines, and reservoirs.
- 35 3. land sales or land exchanges,
- 36 4. leases,
- 37 5. permits for public use such as commercial filming and photography,
38 advertising displays, agriculture , recreation residences and camping,
39 recreation facilities, temporary use permits for construction equipment
40 storage and assembly yards, well pumps, and other such uses,
- 41 6. forest product sales such as timber, or sales arising from national
42 forests and grasslands.

1 7. public-private partnerships.

2 | 36C. Conservation and Preservation - Land or land rights which are
3 | predominantly used for conservation or preservation purposes. Conservation and
4 | preservation although closely linked are distinct terms. -Each term involves a
5 | certain type or degree of protection. -Specifically, conservation is generally
6 | associated with the protection and proper use of natural resources whereas
7 | preservation is associated with the protection of buildings, objects, and
8 | landscapes from use.

9 36D. Operational – Land or land rights predominantly used for general or
10 | administrative purposes. -For example, the following functions performed by
11 | entities would be included in this sub-category:

12 | Military - to prepare for the effective pursuit of war and military operations
13 | short of war; to conduct combat, peacekeeping, and humanitarian military
14 | operations; and to support civilian authorities during civil emergencies.

15 | Scientific – to conduct and manage research, experimentation,
16 | exploration and operations to include the development of commercial
17 | capabilities. Broad scientific fields of study generally include (1) physical
18 | sciences (physics, astronomy, chemistry, geology, metallurgy), (2)
19 | biological sciences (zoology, botany, genetics, paleontology, molecular
20 | biology, physiology), and (3) social sciences (psychology, sociology,
21 | anthropology, economics.

22 | Nuclear – to manage or regulate the use of nuclear energy, power plants,
23 | radioactive materials, radioactive material shipments, nuclear storage,
24 | and nuclear reactor decommissioning.

25 | Other Related – that are operational, administrative, or other in nature.
26 | For example, land used for readiness and training, office building
27 | locations, storage or vacant.

28
29 13. The U.S. government-wide financial statement disclosures at paragraph 42 are amended as
30 | follows to require presentation of estimated acreage by category:

31 | 42. The U.S. Government-wide financial statement should reference a note on the
32 | balance sheet that discloses information about stewardship land and permanent land
33 | rights, but no asset dollar amounts should be shown. The note disclosure ~~related to~~
34 | ~~stewardship land~~ should provide the following:

35 | a. A concise statement explaining how stewardship land ~~land~~ it relates to the mission of
36 | the Federal Government.

37 | b. A description, estimated acres ~~acreage~~ by category (G-PP&E land and SL) and sub-
38 | category of stewardship land predicated on ~~of the its~~ predominant uses ~~of the~~
39 | stewardship land, and estimated acres ~~acreage of land~~ stewardship land held for
40 | disposal or exchange by ~~of~~ the Federal Government.

1 | c. The amount of physical units and estimated ~~acres~~ acres held for disposal or
2 | exchange, and

3 | d. e. A general reference to agency reports for additional information about stewardship
4 | land, such as agency stewardship policies for stewardship land, and physical units and
5 | acreage amounts by major categories of stewardship land use.

6 |
7 | AMENDMENTS TO SFFAS 32: CONSOLIDATED FINANCIAL REPORT OF
8 | THE UNITED STATES GOVERNMENT REQUIREMENTS

9 | 14. This paragraph revises the government-wide disclosure requirements for property, plant,
10 | and equipment. -Paragraph 23 is amended as follows:

11 | Property, Plant, and Equipment

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

14 | a. broad description of PP&E,

15 | b. for G-PP&E land,

- 16 | • A reference note on the balance sheet that discloses information about G-PP&E
17 | land and permanent land rights, but no asset dollar amounts should be shown.
18 | The note disclosure related to G-PP&E land should provide the following:

- 19 | ○ A concise statement explaining how G-PP&E land relates to the mission
20 | of the Federal Government.
- 21 | ○ A description, estimated ~~acres~~ acreage by sub-category of G-PP&E land
22 | predicated on its predominant uses, and estimated ~~acres~~ acreage of G-
23 | PP&E land held for disposal or exchange by the Federal Government.
- 24 | ○ the amount of physical units and estimated ~~acres~~ acres held for
25 | disposal or exchange,

26 | e. b. the cost (excluding land and permanent land rights), associated accumulated
27 | depreciation, and book value by major class, and

28 | d. e. a general reference to agency component entity reports for additional information
29 | about G-PP&E and G-PP&E land.

1 AMENDMENTS TO SFFAS 7: ACCOUNTING FOR REVENUE AND OTHER
2 FINANCING SOURCES AND CONCEPTS FOR RECONCILING BUDGETARY
3 AND FINANCIAL ACCOUNTING

4 15. Amendments to guidance regarding transfers and donations of land.

5 a. Amend footnote 14 at paragraph 62 which discusses revenue arising from donations,
6 to include reference to new SFFAS 6 paragraph 34A entitled, "Expense Recognition."

7 FN14 - For the recognition criteria for donated property, plant and equipment, see
8 SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, para. 30, [34A](#), 62, and 71.

9 b. At paragraph 258, which discusses non-exchange transactions with the public,
10 specifically donations, revise the paragraph to include G-PP&E land.
11 ~~258. Donations: except types of property, plant, and equipment that are expensed.-~~
12 Donations are contributions to the Government, i.e., voluntary gifts of resources to a
13 Government entity by a non-Federal entity.⁵¹ The Government does not give anything of
14 value to the donor, and the donor receives only personal satisfaction. The donation of
15 cash, other financial resources, or non-financial resources (except [G-PP&E land and](#)
16 [permanent land rights and](#) stewardship property, plant, and equipment) is therefore a
17 non-exchange revenue

18 c. At paragraph 259, which discusses non-exchange transactions with the public,
19 specifically donations, revise the paragraph to include G-PP&E land.

20 259. The exceptions [are for donations of assets that are expensed rather than](#)
21 [capitalized. These include general PP&E land and permanent land rights, stewardship](#)
22 [PP&E. \(~~consists of Federal mission PP&E~~ \(heritage assets and stewardship land\).
23 Such PP&E is expensed if purchased, but no amount is recognized if it is received as a
24 donation.⁵² Correspondingly, no revenue is recognized for such donations.](#)

25 d. At paragraph 296 and footnote 62 which discusses sales of PP&E, revise language to
26 include G-PP&E land and permanent land rights.

27 296. The entire sales price is a gain if the book value of the asset is zero. The book
28 value is zero (a) if the asset is general property, plant, and equipment (PP&E) that is
29 fully depreciated or written-off or (b) if the asset is [G-PP&E land or permanent land](#)
30 [rights, or](#) stewardship PP&E, for which the entire cost is expensed when the asset is
31 purchased.⁶²

32 FN62 - SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, has divided
33 property, plant, and equipment (PP&E) into two basic categories: general PP&E and
34 stewardship PP&E (which consists of ~~federal mission PP&E~~ heritage assets, and
35 stewardship land). General PP&E [other than land and permanent land rights](#) is
36 capitalized and recognized on the balance sheet; [G-PP&E land and permanent land](#)
37 [rights, and](#) stewardship PP&E is [are](#) expensed and thus ~~has~~ [have](#) no book value.
38 (Stewardship PP&E is presented in a stewardship statement.)

- 1 e. At paragraph 345, which discusses intra-governmental transfers of PP&E, add G-PP&E
2 land to the requirement.
- 3 345. Transfer of property, plant, and equipment without reimbursement: types that are
4 expensed. - Property, plant, and equipment (PP&E) of types that are expensed (i.e.,
5 G-PP&E land and stewardship PP&E) may be transferred from one Government entity to
6 another. If the asset was classified as either G-PP&E land (including permanent land
7 rights) or stewardship PP&E in its entirety by both the transferring entity and the
8 recipient entity, the transfer does not affect the net cost of operations or net position of
9 either entity and therefore in such a case it is not a revenue, a gain or loss, or other
10 financing source.
- 11 f. At paragraph 346, which discusses intra-governmental transfers of PP&E classified as
12 G-PP&E by the transferor but as SL by the recipient, delete the de-recognition
13 requirement in its entirety.
- 14 ~~346. However, if the asset that is transferred was classified as general PP&E for the~~
15 ~~transferring entity but stewardship PP&E for the recipient entity, it is recognized as a~~
16 ~~transfer out (a negative other financing source) of capitalized assets by the transferring~~
17 ~~entity.~~
- 18 g. At paragraph 358, which discusses transfers of PP&E, revise language to include G-
19 PP&E.
- 20 358. Transfer of property, plant, and equipment without reimbursement: types that are
21 expensed. - Property, plant, and equipment (PP&E) of types that are expensed (i.e., G-
22 PP&E land (including permanent land rights) and stewardship PP&E) may be transferred
23 from one Government entity to another. If the asset was classified as either G-PP&E
24 land (including permanent land rights) or stewardship PP&E in its entirety by both the
25 transferring entity and the recipient entity, the transfer does not affect the net cost of
26 operations or net position of either entity and therefore in such a case it is not a revenue,
27 a gain or loss, or other financing source.
- 28 h. At paragraph 361, which discusses donations of PP&E, revise language to include G-
29 PP&E.
- 30 361. Donation of property, plant, and equipment: types that are expensed.—The
31 acquisition costs of general PP&E land (including permanent land rights), heritage
32 assets and stewardship land property, plant, and equipment (PP&E) is are recognized
33 as a cost when incurred. ~~Such PP&E consists of Federal mission PP&E, heritage assets,~~
34 ~~and stewardship land.~~ When such PP&E is donated to the Government, however, no
35 amount is recognized as a cost.⁸¹ Since the donation of such PP&E does not affect the
36 net cost or net position of the recipient entity, it is not a revenue, a gain, or an other
37 financing source.

1 AMENDMENTS TO SFFAS 42: DEFERRED MAINTENANCE AND REPAIRS,
2 ET AL.

3 16. Amending guidance at paragraphs 13, 15(d) and 15(e) to ensure that deferred maintenance
4 and repair information is reported in non-capitalized G-PP&E land.

5 13. DM&R should be measured and reported for capitalized general PP&E, non-capitalized
6 general PP&E land (to include permanent land rights) and stewardship PP&E. DM&R also
7 may be measured and reported for non-capitalized or fully depreciated general PP&E.
8 DM&R should include funded maintenance and repairs (M&R) that have been delayed for a
9 future period as well as unfunded M&R. DM&R on inactive and/or excess PP&E should be
10 included to the extent that it is required to maintain inactive or excess PP&E in acceptable
11 condition. For example, inactive PP&E may be maintained or repaired either to comply with
12 existing laws and regulations, or to preserve the value of PP&E pending disposal.

Comment [DS37]: 5 December staff edit.
Ensuring that DM&R is also required for
permanent land rights.

13 15. At a minimum, the following information should be presented as required supplementary
14 information (RSI) for all PP&E (each category established in SFFAS 6, as amended, should
15 be included) regardless of the measurement method chosen.

16 Qualitative (NOTE: No edits are proposed for items a thru c.)

17 d. Whether DM&R relates solely to capitalized general PP&E and non-capitalized
18 general PP&E land or stewardship PP&E or also to amounts relating to non-capitalized
19 or fully depreciated general PP&E

20 e. Capitalized and non-capitalized general PP&E, and non-capitalized heritage assets
21 and stewardship land for which management does not measure and/or report DM&R
22 and the rationale for the exclusion

23

24 ~~AMENDMENTS TO TECHNICAL RELEASE 9: IMPLEMENTATION GUIDE~~
25 ~~FOR STATEMENT OF FEDERAL FINANCIAL ACCOUNTING STANDARDS~~
26 ~~29: HERITAGE ASSETS AND STEWARDSHIP LAND~~

27 ~~17. Rescinding guidance specific to Stewardship Land.~~

28 ~~This Statement rescinds the requirements pertaining to stewardship land in Technical Release 9~~
29 ~~to acknowledge amendments proposed in this Statement~~ EFFECTIVE DATE

30 17. The requirements of this Statement are effective for reporting periods beginning after
31 September 30, 2021. -Early adoption is permitted.

Comment [DS38]: Pursuant to October 2017
Board meeting – the majority of members
favored a 2-year implementation time-table with
a 2019 SFFAS issuance. Standards would be
effective FY '22. Members agree to reassess
this decision after the comment period.

33

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|---|
| The provisions of this Statement need not be applied to immaterial items. |
|---|

APPENDIX A: BASIS FOR CONCLUSIONS

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

PROJECT HISTORY

A1. This project was added in February 2016 during FASAB's three-year plan review. The Board agreed that the project was needed to address implementation issues arising from SFFAS 6, *Accounting for Property, Plant, and Equipment*; SFFAS 29, *Heritage Assets and Stewardship Land*; and SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment*.

A2. SFFAS 6 requires that land and land rights acquired for or in connection with other general PP&E be capitalized at the cost incurred to bring the assets to a form and condition suitable for use. "Acquired for or in connection with other general PP&E" is defined as land acquired with the intent to construct general PP&E and land acquired in combination with general PP&E, including not only land used as the foundation, but also adjacent land considered to be the general PP&E's common grounds.

A3. In contrast, SFFAS 29 defines "stewardship land" as land other than land acquired for or in connection with other general PP&E. It requires disclosures regarding policies for managing land, categories of land, and physical quantity information.

A4. Most recently, SFFAS 50 amended SFFAS 6 and rescinded SFFAS 35, *Estimating the Historical Cost of General Property, Plant, and Equipment*, to allow a reporting entity to apply alternative methods in establishing opening balances for general property, plant, and equipment (PP&E). -Concerning land, the alternative methods include using deemed cost to establish opening balances of general PP&E land or excluding land and land rights from opening balances with disclosure of acreage information and expensing of future acquisitions.

A5. Implementation of the above requirements has resulted in significant differences in accounting treatment for land holdings. Because the land acquired during our **Nation's** formation is sometimes used in connection with other general PP&E, it is not generally valued as would be GPP&E land acquired for similar purposes. That is, GPP&E only includes land and land rights with an identifiable cost that was specifically acquired for or in connection with construction of general PP&E. It is important to note that stewardship land is expensed when acquired and quantity information is presented in the notes to the financial statements.

A6. While developing and refining the project plan, certain members requested that any forthcoming guidance be consistently applied. To that end, the Board directed staff to identify available options, along with associated benefits and drawbacks. In particular, the Board asked staff to consider user information needs; explore and identify what the information agencies use to manage land; identify types of information, such as acreage,

Comment [DS39]: Per M. Granof email dated 20 August.

1 that would help demonstrate the government's stewardship and accountability over federal
2 lands; address whether land held for disposal (for example, sale, public-private partnerships,
3 donated to state and local governments) should be valued; and consider whether a uniform
4 land accounting policy is a viable option given initial agency and task force feedback that
5 current land categorizations of stewardship land (SL) and general property, plant and
6 equipment (G-PP&E) land be retained.

7 | A7. To assist in evaluating options for improving the consistency⁵ and relevance of
8 information regarding land, a land task force was created consisting of representation from
9 federal agencies, commercial sector(s), and citizens. Meetings were held between June
10 2016 and April 2017. Participants came from diverse disciplines such as accounting,
11 auditing, civil engineering, financial reporting, business consultants, and program
12 management. The majority of participants agreed that there is significant interest in how
13 agencies manage land on behalf of the public and how this information is communicated to
14 financial statement users.

Comment [DS40]: Per M. Granof email dated 20 September. We agreed to clarify what we mean regarding consistency and comparability.

15 A8. Due to the divergent views among task force participants, principally among preparers
16 and users, reaching consensus on the major issues proved challenging. To best meet the
17 project goals and objectives, staff, in addition to engaging in task force discussions, initiated
18 fact-finding meetings with three land-holding agencies; Department of Defense (DoD),
19 Department of Energy, and the Department of Interior. Notably, retaining the current land
20 categorizations of SL and G-PP&E land was the one area for which preparers and users
21 seemed to unanimously agree.

22 User Needs

23 A9. The Board has identified various user needs covering citizens, federal executives and
24 managers, and congressional users⁶ through a variety of initiatives and discrete projects
25 over the years, to include this project.

26 A10. Citizen-users tend to want understandable financial information which is verified or
27 audited so that they can participate in the democratic process and engage in discussions
28 about the nation's finances. They are generally interested in the federal government's
29 financial health, how it uses its resources, and what was accomplished with the funds
30 provided. -In particular, citizens want to know about the federal government's assets and
31 liabilities, specific agency or program results, and whether funds were used for their
32 intended purpose and not wasted. Citizens also rely on financial reporting to support their

⁵ Criticisms over consistency have arisen because current standards differ in how entities report land; for example, general property, plant, and equipment (G-PP&E) land is capitalized whereas Stewardship Land (SL) is not. As such, some believe that reporting is inconsistent and obscures how a user can assess an entity's performance over land management.

⁶ For example, at the April 29, 2010, Board meeting, members discussed a comprehensive User Needs Study wherein FASAB staff conducted a series of user studies involving citizens, executives and managers, and the Congress. Upon completion of the studies, staff developed a user needs inventory for use in determining improvements in existing federal financial reports.

Additionally, FASAB's 2016 Annual Report and Three-Year Plan survey solicited responses regarding the Land Project that included comments supporting and not supporting the project. Comments supporting the project's priority expressed concern with the lack of consistency (giving rise to lack of comparability) in financial accounting over land. Comments expressing disagreement with the project's priority noted that while in theory, it is important to consistently report land holdings, land generally does not have an effect on operating effectiveness because most of it is held in a stewardship capacity.

1 varied work through the use of financial statement amounts as control totals and disclosures
2 for added contextual understanding. Specific to land, citizen users desire transparency over
3 how much land an entity manages and its use. For example, in FASAB's 2010 User Needs
4 Survey a citizen specifically asked about the amount of revenue that could be raised from
5 the federal taxation of land values and mineral rights.

6 A11. Federal executive leaders and manager users tend to need accurate information
7 regarding the status of their budgetary resources and the performance of their programs.
8 | Availability of this information seems to be a key concern for them. -Additionally, they need
9 information in a timely manner and in some cases more timely than their existing financial
10 systems can provide. Further, they seek information from systems in addition to or in lieu of
11 the financial system where; in some cases information from such systems is not verified or
12 | audited. -As a result, multiple systems may be involved in their efforts to obtain useful
13 information. Moreover, these leaders admit they may not always understand the information
14 provided in financial reports; therefore, they develop their own data and reports.
15 Consequently, it appears individual leaders are using and/or developing specialized financial
16 information beyond what is provided in their agency's financial system. Specific to land, over
17 half of the land task force representatives believe information that management uses to
18 | manage its land portfolios is not reliable for financial reporting. -Furthermore, in 2011 GAO
19 assessed⁷ the potential reliability of data elements five agencies collect and determined that
20 less than half of the data elements stored in a primary agency data system were potentially
21 reliable.

22 | A12. ~~Partially to encompass~~ **To fulfill** Congress' wide range of responsibilities, congressional
23 users tend to seek timely, easy to understand financial information to address particular
24 issues about a variety of responsibilities. Congress uses many sources to obtain the
25 information it needs such as obtaining the information directly from agencies and utilizing
26 legislative support organizations like the Government Accountability Office, Congressional
27 Budget Office, and Congressional Research Service. To obtain the needed information,
28 Congress may conduct hearings, make requests for data from the agency or rely on
29 legislative support organizations and other sources. Specific to land, Congressional interest
30 is evident in three broad areas: (1) identification of federal land and the resources managed
31 by agencies, (2) revenues generated from selected activities on federal land, and (3) federal
32 land subject to selected land use designations.

Comment [DS41]: Per M. Granof email dated 20 August. I would prefer "To fulfill Congress' wide range....."
Staff: Please see suggested edit.

33 Land Valuation

34 A13. As the Board evaluated input from the land task force and user sub-group, it became
35 clear historical cost information is of limited value to most users. Although some users
36 identified benefits of historical cost information, uses for cost information appear to be quite
37 limited and benefits not derived solely from knowing land's historical cost. For example, one
38 user noted the importance of using historical cost information to estimate fair value or
39 ascertaining the reasonableness of a fair market value appraisal (both for example by
40 | applying escalation factors). -Another user pointed to the reporting objectives (that is,
41 stewardship and systems and controls) as directly benefiting from the requirement to report
42 land's historical costs on the balance sheet and thus, increasing reliability of the financial
43 statements.

⁷ Federal Land Management, *Availability and Potential Reliability of Selected Data Elements at Five Agencies*. GAO report No. GAO-11-377, date April 2011.

1 A14. In considering this matter, the Board is guided by two overarching principles: (1) entity
2 accountability and (2) comparable reporting of federal land holdings (both within and across
3 entities). -In evaluating these principles, the Board believes both can be satisfied from a
4 financial display (for example, incorporating information into the Statement of Financial
5 Position using appropriate recognition and measurement criteria), -by presentation of non-
6 financial information (NFI)⁸, or a combination of both.

Comment [DS42]: Per M. Granof email dated 20 September. We agreed to clarify what we mean regarding consistency and comparability.

7 A15. To that end, because it appears that historical cost information is not particularly useful
8 to the majority of users and that the majority of the task force and users believe that
9 reporting of land is currently deficient, the Board considered alternate measurement
10 attributes such as fair value and value-in-use. -With assistance from the task force, fair value
11 and value-in-use measurement attributes were explored.

Comment [DS43]: Per M. Granof email dated 20 August. What is a financial display or non-financial information "perspective". Why not say satisfying either by incorporating the information into basic financial statements or in notes -- or something along those lines.

Staff: Partially concur. See edits. Note -- because NFI can be a disclosure, I want to avoid complicating this paragraph with the geography question discussed elsewhere in the BFC.

12 Fair Value

13 Although fair value was considered to be of importance to users, requiring fair -value
14 estimates for all federal land would not only be cost prohibitive, but could in many cases
15 lack relevance especially regarding land where no comparable tracts or active markets
16 exist. Specifically, trying to determine the fair value of land especially given that no
17 active market exists in many, if not most cases, would require estimating fair values
18 using different approaches resulting in inconsistencies and lack of comparability. -Such
19 conditions undermine relevance and contribute to user uncertainty. Moreover, many
20 entities do not have the internal expertise or systems in-place to make such
21 measurements and would therefore be required to engage outside experts. Such a
22 requirement would impose significant costs and burden agencies beyond what is
23 reasonable especially given that (frequent) re-measurements would also become
24 necessary. Regarding re-measurements, such as process would involve deciding
25 whether to use nominal or constant dollars. That is, isolating holding gains between
26 general price increases from specific land or asset value increases would not be cost
27 beneficial and given that no active market exists, result in less reliable user information
28 at a unjustifiably increased cost and preparer burden.

Comment [DS44]: Per M. Granof teleconference -- how does one determine fair value. Any estimate may lack relevancy and not be cost-beneficial.

Staff: see suggested edits. Users would love FV but it would be quite hard if not impossible to achieve. As such, the TF understood the difficulties here and the users at least settled for NFI as a surrogate to FV.

Please see edits to A15 and A16 below.

Comment [DS45]: Per M. Granof email dated 20 September. We agreed to expand the Fair value discussion in paragraphs A18 thru A21.

29 Value-in-Use

30 Regarding value-in-use measurements, although the Board determined that such
31 estimates could be cost-beneficial in limited cases, because such measurements are
32 entity specific and somewhat subjective, applying a value-in-use measurement attribute
33 to land would undermine consistency and comparability adversely affecting relevance
34 and user reliability.

35 A16. Accordingly, the Board believes that fair value and value-in-use measurement attributes
36 each would require re-estimations that as explained above, would affect relevance and
37 potentially result in subjective measurements while being cost-prohibitive. -However, the
38 Board believes it can help better meet user needs through the presentation of non-financial
39 information (for example, acreage) which does not suffer from recurring price variability or
40 service capacity assessments. Furthermore, users benefit from NFI because distortions
41 caused by differing accounting standards or by financially (re)measuring land are eliminated
42 and replaced by more static metrics such as acreage and predominant use categorizations.

⁸ The Board noted in (SFFAC 1: Objectives of Federal Financial Reporting; par. 73, that in some cases, the most relevant measures of performance are nonfinancial. Within this Exposure Draft the Board has identified that "nonfinancial information" includes information on acreage, land held for disposal or exchange, predominant use, revenue generating land, and unit count.

1 The Board believes that adopting NFI will mitigate, if not reduce preparer burden by (1)
2 eliminating the requirement to capitalize land associated with general PP&E and (2)
3 considering the use of NFI that most agencies collect for program management or other
4 external reporting purposes. Therefore, the Board proposes reclassifying general PP&E land
5 as a non-capitalized asset with no dollar amounts reported on the balance sheet.

6 Land Use – Categorizing Land Consistently

7 A17. To improve the comparability of reporting federal land holdings and the uniformity of
8 disclosures, the Board requested the task force to identify categories in addition to the land
9 categories currently in use; Sstewardship Land (SL) and General Property, Plant, and
10 Equipment (G-PP&E) land.

Comment [DS46]: Per M. Granof email dated 20 September. We agreed to clarify what we mean regarding consistency and comparability.

11 A18. The task force reviewed two primary federal sources that address land use designations
12 for federal lands: *Federal Real Property Inventory Reporting* from the General Services
13 Administration (GSA) and a Government Accountability Office (GAO) report entitled *Federal*
14 *Land Management: Availability and Potential Reliability of Selected Data Elements at Five*
15 *Agencies*. The GSA reporting guidelines identified 24 discrete (plus an “all other” category)
16 land-use designations and the GAO report examined 57 discrete land and resource data
17 elements collected by five federal agencies; Forest Service (USDA) and Interior’s Bureau of
18 Land Management (BLM), Fish and Wildlife Service (FWS), National Park Service (NPS),
19 and Bureau of Reclamation and Department of Defense (DOD).

20 A19. After several iterations and separate analyses, the task force and the user sub-group
21 narrowed land classification to three sub-categories predicated on land-use that both G-
22 PP&E and SL could be classified under: (1) Conservation and Preservation; (2)
23 Operational; and (3) Commercial Use .

24 A20. Consistent with the task force’s recommendation to retain the current land
25 categorizations of SL and G-PP&E land, the Board believes that these three use categories
26 would help clarify the existing requirements concerning the categorization and reporting of
27 land and better reflect user needs.

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

29 A21. SFFAS 6, as amended, establishes three categories of PP&E: (1) general PP&E, (2)
30 heritage assets, and (3) stewardship land. General PP&E includes land and land rights
31 acquired for or in connection with other general PP&E (such as office buildings or
32 infrastructure) used to provide general government services or goods. Whereas
33 Sstewardship Land is land and land rights owned by the federal government but not
34 acquired for or in connection with items of general PP&E. -Examples of stewardship land
35 include land used as forests and parks, and land used for wildlife and grazing. Categorizing
36 land in accordance with SFFAS 6 is predicated on an entity’s intended use of the land at
37 acquisition and not necessarily how the land is ultimately used. Therefore, as a result and
38 due to concerns over inconsistent accounting and reporting of federal land, the Board asked
39 the task force to assess whether the two PP&E land categories should be replaced with one
40 category -- land.

41 A22. Although some on the task force noted that a single land category would in theory
42 simplify reporting, others were concerned the existing distinction between G-PP&E and SL
43 would be lost. Also, some noted that such an approach would change current measurement
44 and recognition requirements for SL with no perceived benefits. To explore the matter

1 further, the task force analyzed two primary federal sources to address land use
2 designations for federal lands: (1) *Federal Real Property Inventory Reporting from the*
3 *General Services Administration (GSA)* and (2) a Government Accountability Office (GAO)
4 report entitled *Federal Land Management: Availability and Potential Reliability of Selected*
5 *Data Elements at Five Agencies* (2011). The GSA reporting guidelines currently identify 24
6 (plus “all other”) discrete land-use designations and the GAO report examined 57 discrete
7 land and resource data elements collected by five federal agencies; Forest Service (USDA)
8 and Interior’s Bureau of Land Management (BLM), Fish and Wildlife Service (FWS), National
9 Park Service (NPS), and Bureau of Reclamation and Department of Defense (DOD).

10 A23. After separate analyses, the task force (1) developed three broad sub-categories for the
11 Board’s consideration and (2) concluded that because users are in fact benefitting from the
12 existing distinction between G-PP&E and SL, those categories should be retained.
13 Accordingly, the task force advised the Board to consider adding the three sub-categories
14 based on how the entities use the land they manage. Such land use designations would
15 greatly improve information for existing users, broaden readership, and help met financial
16 reporting objectives. The three broad land use sub-categories are: (1) ~~C~~conservation and
17 ~~P~~preservation; (2) ~~O~~operational-; and (3) ~~C~~commercial ~~U~~use . Refer to Appendix B for
18 illustrations concerning the three sub-categories.

19 A24. The Board is proposing to adopt these three broad areas of land use to complement the
20 general PP&E and SL land categories. In addition, the Board is proposing to refine the
21 distinction between general PP&E land and SL in two ways. First, rather than basing
22 categorization on intentions at the time of acquisitions (which may have been many decades
23 ago), the Board proposes to make the general PP&E and SL distinctions based on actual
24 use during the reporting period and second, clarifying that general PP&E land should (1)
25 have one or more of the characteristics identified in SFFAS 6, paragraph 23⁹ and (2)
26 exclude any withdrawn public lands or land restricted for conservation, preservation,
27 historical or other like restrictions. That is, such land would remain categorized as
28 stewardship land.

29 Developing Uniform Land Disclosure Requirements

30 A25. In addressing long-standing issues concerning disclosures over federally managed land
31 as well as questions arising from the Board’s decision¹⁰ to allow under specific conditions an
32 exclusion of G-PP&E land and land rights from opening balances with disclosure of acreage
33 information (and expensing of future acquisitions), the Board has developed uniform
34 disclosure requirements that would apply to both G-PP&E land and ~~S~~stewardship ~~L~~land
35 (SL). The most notable issues include:

- 36 • Inconsistent reporting of G-PP&E land brought about by eligible entities adopting
37 SFFAS 50: exclusion of land and land rights from opening balances.

⁹SFFAS 6, paragraph 23. “General property, plant, and equipment is any property, plant, and equipment used in providing goods or services. General PP&E typically has one or more of the following characteristics: • it could be used for alternative purposes (e.g., by other Federal programs, state or local governments, or non-governmental entities) but is used to produce goods or services, or to support the mission of the entity, or • it is used in business-type activities, or • it is used by entities in activities whose costs can be compared to those of other entities performing similar activities (e.g., Federal hospital services in comparison to other hospitals).

¹⁰ SFFAS 50: *Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35*

Comment [DS47]: Staff edit 24 November.

Comment [DS48]: Staff edit 24 November.

- Incomplete reporting on land where neither the total cost of land nor the total physical quantity of land is consistently reported.
- Concerns that some information that is currently reported is consistent with FASAB's reporting objectives and qualitative characteristics.
- Limited value of historical/acquisition cost information for capitalized land given that such information may lose relevance over time due to general inflation as well as specific changes in the value of land.
- Whether Stewardship Land and GPP&E Land should follow a consistent accounting and reporting approach.

In connection with the Board's proposal to reclassify G-PP&E land as a non-capitalized asset, the Board believes that developing uniform disclosure requirements will satisfactorily address the issues note above and increase informational value. The development of the proposed requirements has been primarily taken from existing requirements contained at SFFAS 29 (for example, existing requirements include disclosure of how land relates to an entity's mission, its policies over land and physical unit information) and modified based on the Board's analysis of the Land Task Force's findings and recommendations (that is, requiring acreage reporting in three predominant use sub-categories, identification of land held for disposal or exchange, and disclosure (general description) of land rights information.

Proposed Definitions

~~A25-A26.~~ As previously noted, the task force recommended that the current land categorizations of SL and G-PP&E land be retained. Also, as a result of task force efforts to identify land use categories the Board believes that there is a need to (1) clarify the SL definition, (2) define held-for-disposal or exchange and (3) define definitions for the three land use categories (illustrated at Appendix B). The Board believes that these actions would help clarify existing requirements concerning the categorization and reporting of land and better reflect user needs.

~~A26-A27.~~ Stewardship Land – the current definition contained in SFFAS 29, at paragraph 33 reads as follows:

Stewardship Land is land and land rights owned by the Federal Government but not acquired for or in connection with items of general PP&E. Examples of stewardship land include land used as forests and parks, and land used for wildlife and grazing.

It is the Board's opinion that the above definition can be improved by (1) noting that SL includes both public domain land and land subsequently acquired, (2) clarifying that in some cases, SL may in fact be acquired for or used in connection with G-PP&E such as SL used for military security or aircraft noise buffer zones, and (3) expanding the list of SL examples.

Comment [DS49]: Per M. Granof 20 August email - Is it really necessary, or even helpful, to copy what is already in the standard. I think it is sufficient to explain why and how the definitions that we provide are an improvement over the existing definitions.

Staff: No, I agree. I will streamline each of these definitions and refer readers to the Glossary.

1 Please refer to the Glossary at Appendix D for the proposed SL definition.

2
3 | ~~A27-A28.~~ Acres of Land Held-for-Disposal or Exchange - Disposal authorities are generally
4 designed to permit entities to dispose or exchange land that is no longer required for a
5 federal purpose. Disposal authority might authorize an entity to sell or lease federal land to a
6 state or municipal government or non-profit entity for educational or community development
7 purposes. Additionally, disposal authority might authorize an entity to exchange federal land
8 | for non-federal land. -Disposal includes conveyances of federal land not limited to sale,
9 transfer, exchange, lease, public-private partnership, and donation or any combination
10 thereof.

11 The Board proposes that consistent with the proposed acreage disclosure requirements,
12 land held for disposal or exchange should be disclosed in terms of physical units and
13 | acreage. The Board notes that land (~~acres~~acreage) is considered held-for-disposal or
14 | exchange only when the entity has satisfied its legislative disposal authority requirements.
15 For example, entity decisions to identify and classify land as held for disposal or exchange
16 often require public participation and diverse clearances such as environmental and
17 economic impact studies, surveys, and appraisals. Disposal includes conveyances of
18 federal land not limited to sale, transfer, exchange, lease, public-private partnership, and
19 donation or any combination thereof.

20 Please refer to the Glossary at Appendix D for the proposed acres held-for-disposal or
21 exchange definition.

22
23 | ~~A28-A29.~~ Conservation and Ppreservation - The Board proposes that consistent with the
24 proposed acreage disclosure requirements, conservation and preservation land shall be
25 disclosed in terms of physical units and acreage. For example, the Board proposes that the
26 following land use activities be included in this sub-category: wilderness/non-wilderness,
27 wildlife, fish habitat, endangered species, critical environment, timber preservation,
28 watershed and water resources, national forests, reserves, preserves, refuges, national
29 parks, monuments, cemeteries, and recreation.

30 | Please refer to the Glossary at Appendix D for the proposed Cconservation and
31 Ppreservation sub-category definition

32 | ~~A29-A30.~~ Operational - The Board proposes that consistent with the proposed acreage
33 disclosure requirements, land in this sub-category shall be disclosed in terms of physical
34 | units and acreage. -For example, the Board proposes that the following land use activities
35 be included in this sub-category: military, scientific, nuclear, administrative, office building
36 | locations, -training facilities, airfields, office building locations, power development and
37 distribution areas, research and development, space exploration, outpatient healthcare,
38 communication systems locations, flood control and navigation, housing and institutional.
39 storage, and vacant.

40 | Please refer to the Glossary at Appendix D for the proposed Ooperational sub-category
41 definition

1 | ~~A30-A31.~~ **Commercial Use** – The Board proposes that consistent with the proposed
2 | acreage disclosure requirements, commercial use land shall be disclosed in terms of
3 | physical units and acreage. For example, the Board proposes that the following definition
4 | include land or land rights which are used to generate inflows of resources from non-federal
5 | third parties. Some examples of land use activities that would be included in this sub-
6 | category include revenue or inflows derived from: concession arrangements, grants, land
7 | sales or exchanges, leases, permits for public use, and public-private partnerships.

8 | Please refer to the Glossary at Appendix D for the proposed ~~C~~commercial ~~U~~use sub-
9 | category definition.

10

11 **Permanent Land Rights**

12 | ~~A34-A32.~~ Due to their nature, permanent land rights such as easements and rights-of-way
13 | permit an entity to use land legally owned by another. For example, an entity may enter into
14 | an agreement for the purpose of acquiring certain rights to build and maintain a utility sub-
15 | station and transmission lines. -In exchange, the landowner is paid for the easement and
16 | may or may not continue to use the land depending on the nature of the easement. Should
17 | the easement instrument signed by the landowner (1) convey the majority of rights to the
18 | entity either indefinitely or long-term and (2) limit the landowner's use of the land, such rights
19 | should be considered permanent in nature and subject to the requirements of this
20 | statement. -The Board intends this standard to apply to permanent land rights acquired from
21 | non-federal entities.

22

23 **Discrete NFI Data-Points**

24 | ~~A32-A33.~~ Prior FASAB analyses of user needs reveal that financial statements are a
25 | starting point for users wherein they often consult other venues to obtain desired
26 | information. -Because general purpose financial reporting is primarily designed for external
27 | users of financial reports, the Board believes it should not overestimate the importance of
28 | land information in financial statements to any one set or group of users (needs). -However,
29 | the Board does believe additional information should be included within the financial report
30 | to allow users to have a starting point to assist them in their analyses or assessments of
31 | entity performance. -As such, the Board believes this can be best accomplished using NFI.

32 | ~~A33-A34.~~ Five non-financial information data-points were initially developed as a result of
33 | the task force's evaluation of the types of information that should be reported. For each
34 | data-point, task force feedback suggests benefits would exceed the costs of providing
35 | information. The -NFI Data-points along with reasons they were included follow:

- 36 | i. **Acreage** – without acreage, any financial information on land becomes less
37 | meaningful and much more limited in value. Also seen as critical to meeting the
38 | reporting objectives. Of all the data-points reviewed, acreage received the highest
39 | support from the task force for presentation as NFI (Disclosure being the most
40 | favored).

- 1 | ii. Held-for Disposal or exchange - valuing and reporting on land held for disposal or
2 | exchange would have a positive effect on meeting Operating Performance,
3 | Stewardship, and Systems and Controls reporting objectives. Also, it would
4 | increase accountability and transparency. The task force supported this data-point
5 | for presentation as a note disclosure. -However, an equal number of task force
6 | members supported excluding this information from NFI.
- 7 | iii. Predominant Use - information for academic or commercial analyses of public land
8 | allows -more uses of financial statement information. Also, increases comparability
9 | in land reporting across agencies. Although the majority of task force members
10 | supported this data-point for presentation (RSI being the most favored), some task
11 | force members supported excluding this information from NFI.
- 12 | iv. Revenue-generating Land - essential information for analyses of public land options
13 | and needed for transparency and visibility to understand Federal revenues reported
14 | in the financials. This is a key area of congressional interest as reported by GAO.
15 | Also, allows for more uses of financial statement information and would make
16 | connecting land acreage and value to other entries in the financials more
17 | straightforward. Although the majority of the task force members supported this
18 | data-point for presentation (RSI being the most favored), some task force supported
19 | excluding this information from NFI.
- 20 | v. Unit count information - value of this information increases significantly when
21 | combined with acreage and any one of the other above -data-points.
22 | Task force members supported this data-point for presentation as a note disclosure.
23 | However, an equal number of task force members supported excluding this
24 | information from NFI.

25 |
26 | ~~A34-A35.~~ In reviewing the five recommended NFI data-points, the Board determined
27 | acreage and land (acres) of land held for disposal should be included as additional specific
28 | disclosures. It is the Board's opinion that acreage is the common denominator among
29 | preparers and users. Providing acreage addresses criticisms and helps meet stewardship,
30 | accountability, and transparency concerns. -That is, financial information (historical cost)
31 | about land thus far provided to users without acreage information has been less meaningful
32 | to users.

33 | ~~A35-A36.~~ The Board agrees valuing and reporting land held for disposal supports the
34 | reporting objectives. -As borne out by the task force's research into this area, citizen users
35 | are keenly interested in how an entity uses its land and desire greater transparency.
36 | Moreover, congressional users are also interested in the amount of land an entity manages
37 | and how it is used, revenues generated from selected activities on land, and land subject to
38 | selected land use designations to also include potential disposal.

39 | ~~A36-A37.~~ Given the fact the Board believes land should not be capitalized (that is,
40 | measured or recognized) on the balance sheet, information on acreage and land (acres)
41 | held (held) for disposal along with the other NFI proposals contained herein allows entities
42 | to continue meeting the reporting objectives.

43 | **Determining Where Information Should Reside**

44 | ~~A37-A38.~~ To communicate information to users, the Board analyzed and categorized the
45 | five non-financial information data-points to determine where this information should be

1 included within the financial report. To this end, the Board was primarily guided by (1)
2 existing reporting/disclosure requirements, (2) prior Board decisions concerning the
3 importance of PP&E including SL, and (3) the extent to which this information interests a
4 wide audience.

5 | ~~A38-A39.~~ With the assistance of the task force and sub-group users, the Board determined
6 predominant use (that is, categorizing land), acreage, and land held-for-disposal or
7 exchange are items of great interest to users. -Additionally, members concluded the
8 relevance of this information to fair presentation is of utmost importance. -That is, in SFFAS
9 29, *Heritage Assets and Stewardship Land*, the Board concluded information on HA and SL
10 (except for condition) should be basic information because it (1) is deemed essential to fair
11 presentation and may be crucial to understanding the entirety of an entity's financial
12 condition and (2) addresses accountability and thus requires more audit scrutiny than would
13 be afforded if considered RSI, and (3) was deemed consistent with GASB (reporting on art
14 and historical treasures) and FASB (collections, other works of art and historical treasures).

- 15 a. Predominant use – predominant use information is currently required to be reported as
16 basic information by SFFAS 29 for ~~S~~stewardship land¹¹. SFFAS 6 currently requires
17 categorization of PP&E as either general, HA, or SL. Currently, land categorization
18 reflects intended usage at the time of acquisition/construction. This proposal refines the
19 classification between general PP&E land and SL by basing the sub-categorization on
20 predominant usage during the reporting period. This information is useful for academic
21 or commercial analyses of public land and allows for more uses of financial statement
22 information. Also, predominant use information increases comparability in land reporting
23 across agencies. -Refer to the discussion entitled, *Land Use – Categorizing Land*
24 *Consistently*, at paragraphs A22 through A25 for additional discussion -regarding the
25 presentation of this information. The Board proposes this NFI data-point remain as
26 basic information.
- 27 c. Revenue generating – because information regarding revenue generating land reflects
28 a land (resource) use, the task force recommended that this data-point be considered a
29 distinct and separate element for reporting. However, the Board concluded it can be
30 satisfactorily reported under the -predominant use disclosure. . Such disclosure can be
31 accomplished by categorizing revenue generating land under the ~~C~~commercial ~~U~~use
32 sub-category. -The Board concluded this is essential information for analyses of public
33 land options and needed to understand Federal revenues reported in the financials.
34 Also, this allows for more uses of financial statement information and facilitates
35 connecting land acreage and value to other entries in the financials more
36 straightforward. -Lastly, the GAO and task force have noted that information pertaining
37 to revenues generated from federal land is important to Congress as well as other
38 financial report users.
- 39 b. Acreage – financial information on land becomes less meaningful and valuable without
40 acreage information. Given the fact that the Board concluded to not require land to be
41 measured or recognized on the balance sheet, this information should be subjected to
42 the same audit scrutiny -as information about other assets. -Therefore, the Board
43 concluded this NFI data-point should be reported as basic information in order to
44 continue meeting the reporting objectives.

¹¹ Where parcels of land have more than one use, the predominant use of the land should be considered the major use. SFFAS 29, *Heritage Assets and Stewardship Land*, paragraph 40(c).

- 1 | c. Land held for disposal or exchange – the Board agrees that valuing and reporting on
2 | land held for disposal or exchange has a positive effect on the reporting objectives.
3 | However, to be consistent with its position to not require recognition or measurement of
4 | land on the balance sheet, the Board proposes this NFI data-point be reported as basic
5 | information.
- 6 | d. Unit count information – unit count information is currently required by SFFAS 29 to be
7 | reported as basic information. The value of this information increases significantly when
8 | combined with acreage information and any one of the other above NFI data-points.
9 | The Board proposes this NFI data-point remain as basic information.

10 | ~~A39-A40.~~ A40. Due to its importance to users and relevance to the reporting objectives, the
11 | Board proposes that entities report this additional information (that is, requirement to
12 | categorize land, ~~acreage and land acres~~ held for disposal) as basic information through note
13 | disclosure.

14

15 **Preparer Burden**

16 | ~~A40-A41.~~ A41. The land task force addressed preparer burden and identified and ranked several
17 | constraints other than system integration issues which impede federal preparers and their
18 | ability to prepare financial statements. -In order of task force ranking, the constraints are as
19 | follows:

- 20 | i. Inadequately trained staff
21 | ii. Lack of experienced staff
22 | iii. Requirements overload
23 | iv. Continually shifting priorities
24 | v. Lack of senior level management support

25 | Additionally, some preparers noted they are not the operational or program people who
26 | have to implement the multitude of requirements and reporting standards put into effect.
27 | Implementation of said requirements and standards falls to a very limited staff at local levels
28 | to which in some cases, accounting requirements have little to no bearing on supporting
29 | their mission.

30 | ~~A41-A42.~~ A42. The Board realizes that the financial management community as well as
31 | operational and program personnel have difficult tasks and challenges they face day-to-day
32 | in accomplishing their mission. To that end, the Board has elected to focus on ensuring that
33 | the costs of providing land information is commensurate with user benefits.

34 | ~~A42-A43.~~ A43. The Board further realizes that in general, resources are limited and because
35 | new requirements take time to implement, accounting requirements could compete with
36 | internally perceived needs. The Board acknowledges this trade-off as just one of many cost-
37 | benefit factors that the Board needs to consider as it addresses each specific issue in this
38 | proposed Statement.

39 | ~~A43-A44.~~ A44. In addition to considering user needs and preparer burden, other key factors
40 | contributing to a cost-benefit analysis include: (1) budget constraints and uncertainties are

Comment [DS50]: Per M. Granof email dated 20 August. I'd be reluctant to say that this was our prime focus. Rather it was to ensure that the costs of providing the information about land was commensurate with the benefits.

Staff: Concur. See edits.

1 not infrequent in the federal space and should not, by themselves, be a basis for not
2 improving financial reporting; (2) identifying the proper accounting for land is of paramount
3 importance and separate from implementation issues; and (3) standards can be written in a
4 manner to help ease implementation issues; for example, proposing longer lead-times to
5 effective dates or using a phase-in approach to help ease implementation. -Appendix B-1
6 includes four proposed implementation schedules which the Board is considering.

7

8 **Other Conforming Revisions**

9 | ~~A44-A45.~~ In order to ensure linkage between component unit reporting and the
10 government-wide disclosure requirements, conforming amendments to SFFAS 32,
11 *Consolidated Financial Report of the United States Government Requirements*, are
12 required. -Additionally, because the amendments contained in this proposed Statement
13 either incorporate, clarify or supersede a significant part of SL guidance contained,
14 ~~conforming amendments will be made to Technical Release 9: Implementation Guide for~~
15 ~~Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship~~
16 ~~Land, such guidance pertaining to SL should be rescinded.~~ Conforming amendments to
17 SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for*
18 *Reconciling Budgetary and Financial Accounting*, are also proposed given that SFFAS 7
19 provides guidance regarding transfers and donations of land.

Comment [DS51]: Per M. Granof email dated 20 September. We agreed to clarify what we mean regarding consistency and comparability.

Comment [DS52]: Per ED on 6 December - We should address all edits to the TR through the AAPC.

20 | ~~A45-A46.~~ In addition to federally-owned lands, some agencies hold land in trust (fiduciary
21 land). Most notable is the tribal lands held in trust by the Bureau of Indian Affairs (BIA). The
22 Board considered whether land held in trust should be addressed through these
23 amendments and decided that doing so would require significantly more research. Research
24 areas include (1) the effectiveness of existing requirements, (2) consultation with users
25 including trust beneficiaries, (3) appropriateness of federal financial reporting objectives, and
26 (4) the costs and benefits of expanding fiduciary activity reporting.

27 | ~~A46-A47.~~ SFFAS 31, *Accounting for Fiduciary Activities*, applies to land held in fiduciary
28 activities. It requires federal entities to distinguish the information relating to fiduciary
29 activities of the federal entity from all other activities of that federal entity. Accordingly,
30 fiduciary assets are not recognized on the balance sheet. Instead, a note disclosure
31 providing the following information¹² about its fiduciary activities is required:

- 32 a. An explanation of the nature of the fiduciary relationship,
- 33 b. A schedule of fiduciary net assets, and
- 34 c. A schedule of fiduciary activity.

35 | ~~A47-A48.~~ Because federal GAAP provides for certain assets - stewardship land and
36 heritage assets - to be disclosed rather than recognized, SFFAS 31 includes requirements
37 for a Schedule of Changes in Non-Valued Fiduciary Assets including a description of the
38 assets, beginning quantity, quantity received, quantity disposed of, net increase/decrease in
39 non-valued fiduciary assets, and ending total quantity. Non-valued fiduciary assets may
40 include land, heritage assets, and natural resources.

¹² Items reported in the fiduciary schedules must be measured in accordance with any of the generally accepted accounting principles recognized by the American Institute of Certified Public Accountants (AICPA).

1 | ~~A48-A49.~~ While including amendments to reporting for land managed through fiduciary
2 | activities in the scope of this project might be expected, the issues are broader, reporting
3 | objectives are potentially different, and the stakeholders are different than those for federally
4 | owned land. Also, there may be factors regarding land use and management that should be
5 | considered before determining the most appropriate information (including categorization) to
6 | report given the cooperative arrangements between beneficiaries, such as tribal
7 | governments, and federal reporting entities, such as the Bureau of Indian Affairs (BIA).
8 | Also, the cost-benefit of expanding the fiduciary activities disclosures should be considered;
9 | costs and benefits may differ from those regarding federally-owned land. Therefore, the
10 | Board concluded this proposed Statement does not directly impact fiduciary activities.

11

12 | Supporting Documentation

13 | ~~A49-A50.~~ The Board has continually noted the problems associated with providing
14 | corroborating documentation to auditors on historical assets including land. In the Basis for
15 | Conclusions to SFFAS 29, *Heritage Assets and Stewardship Land*, (par. 86-88) the Board
16 | briefly discusses the fundamental problems associated with historical assets and
17 | stewardship land. -In addition, Technical Release 9: *Implementation Guide for Statement of*
18 | *Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*,
19 | addresses this difficulty by specifically noting the complexities regarding land. -For example,
20 | federal land was acquired through (1) ceded territory by the original thirteen colonies, (2)
21 | territorial annexations, (3) purchases, and (4) treaties. Furthermore, acquisitions and
22 | disposals of land were not documented in the same manner as are modern-day land
23 | transactions. As a result, Technical Release 9 makes the point that records and detailed
24 | listings from these periods generally do not exist. As a result, the Board believes that
25 | managements' assertion concerning land ownership and its related acreage measurements
26 | can be accommodated by the use of non-traditional supporting documentation and
27 | reasonable acreage estimates, respectively. For this reason, the Board notes that it (1) does
28 | not seek exact precision in determining estimated acreage or predominant use assessments
29 | and (2) does not intend to direct or prescribe the use of any particular approach.

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30 | ~~A50-A51.~~ The Board believes that it can facilitate the land attestation process by reminding
31 | preparers and auditors that because most federal land was primarily acquired in a variety of
32 | ways and over the nation's early settlement and formation, it is not unreasonable that
33 | supporting documentation will employ alternative methods and/or take on different forms of
34 | corroboration as foreseen by Technical Release 9. -For example, ownership can be
35 | evidence by public law, treaties, entity certifications, maintenance or renovation contracts,
36 | historical maintenance records or a history of payment of invoices, minutes of meetings,
37 | historical data bases, initial surveys of land, a history of past/historical practices (for
38 | example, the length of time an entity controls the land establishing de facto ownership), or
39 | other relevant sources of information may provide acceptable alternative evidence of
40 | government ownership. Entities can also adopt many of the above forms of supporting
41 | documentation to reasonably estimate acreage or rely on management tools such as
42 | Geospatial Information (GIS). As a result, measurements can be made using different
43 | methods or techniques.

44

45

1 **APPENDIX B: ILLUSTRATIONS**

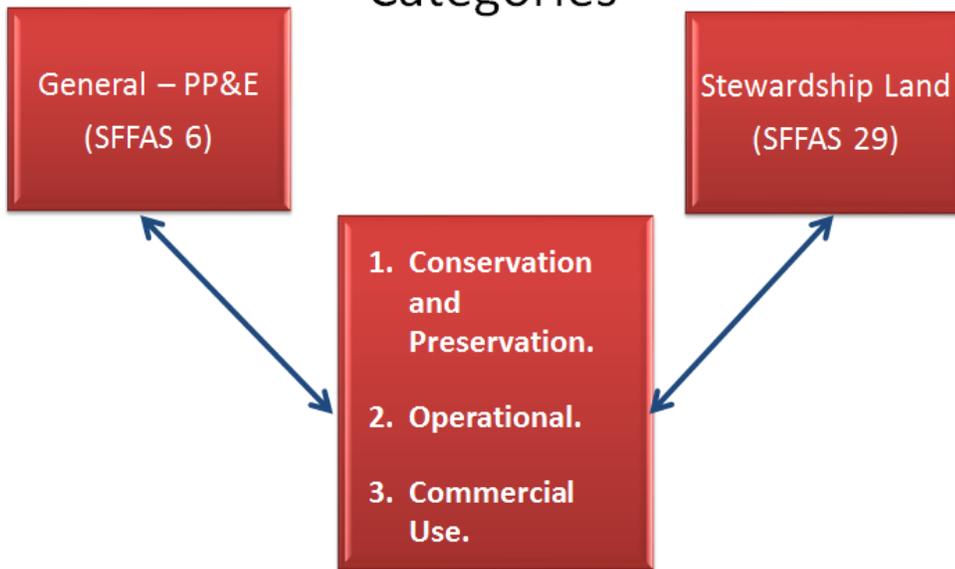
2 **Sub-Categorizing Land – Predicated on Predominant Land-use**

3 This appendix illustrates the application of the provisions of this proposed Statement to assist in
4 clarifying their meaning. The following illustrations are intended to aid in the application of the
5 provisions proposed on pages 16 through 24.

6 The Board has noted the potential need to have additional sub-categories predicated on
7 predominant land-use to complement the land categories currently in use; SL and G-PP&E
8 Land. -An illustration demonstrating how the Board envisions the sub-categories complementing
9 the existing requirements follows:

10

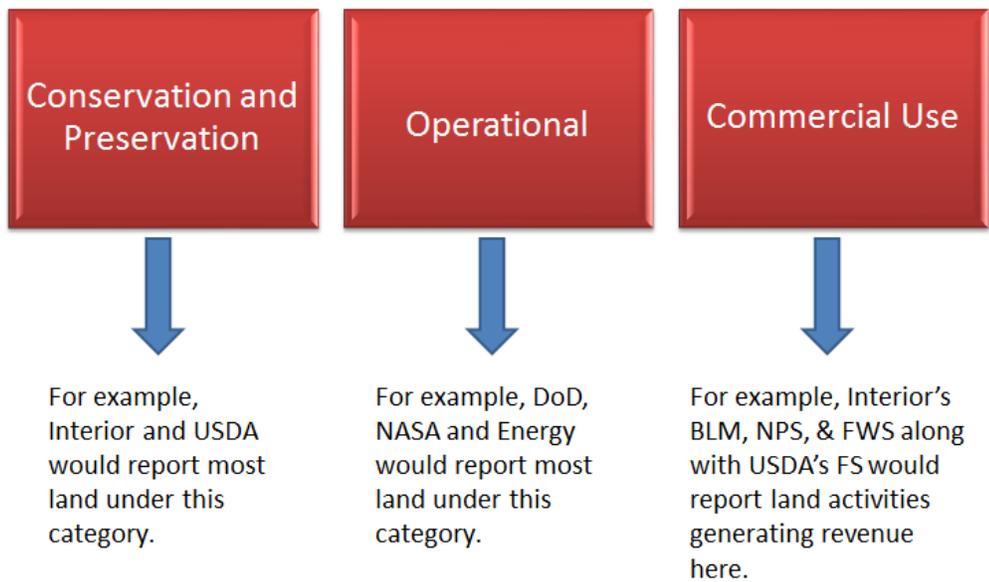
Complementing Existing Land Categories



11

- 1 The additional sub-categories follow:
- 2 (1) **Conservation and Preservation**
- 3 (2) **Operational**
- 4 (3) **Commercial Use**

Three Proposed NFI Land-Use Reporting Sub-categories



5

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



Sample Illustration: Appendix B: Consolidated Financial Report of the U.S. Government

Comment [DS53]: Per S. Showalter 25 August email - For Dept. B – the 600,000 acres seem like an immaterial amount (.1%), should we make it a larger number?

Staff Good idea. I changed it from 600K to 2.6 mil acres.

| 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 | 3,982,439 | 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 | 584,340,144 | 38,973,787 | 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.
- 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.
- 3 - **Agency 1** has not been granted any commercial use authority and operates under a strict mandate to preserve land under its care.
- 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.
- 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.

Sample Illustration: Appendix B-1: G-PP&E Note Disclosure (Proposed amendment to SFFAS 6, paragraph 45)

| <u>Entity</u> | Categorized by Purpose or Intent at Acquisition | Sub-categorized by Predominant Use | | | Total Land Acres | Explanatory Comments |
|-----------------------------|--|---|--------------------|---------------------------|-----------------------------|---------------------------------|
| | General PP&E Land Acres | Conservation and Preservation | Operational | Commercial Use | | |
| Agency 1 | 6,563,954 | 2,600,000 | 3,963,954 | 0 | 6,563,954 | 1 |
| Bureau 1 | 2,219,324 | 0 | 2,219,324 | 0 | 2,219,324 | 2 |
| Bureau 2 | 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 1** 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.

2 - **Bureaus 1 and 2** maintain land strictly for operational purposes.

Sample Illustration: Appendix B-2: SL Note Disclosure (Proposed amendment to SFFAS 29, paragraph 40(c))

Comment [DS54]: Per S. Showalter 25 August email - For Bureau 1, the description mentions adding numbers to Operational, but no numbers are presented in the Operational column.

Staff: Good catch. Thank you. I changed the narrative description to "revenue-generating".

| <u>Entity</u> | Categorized by Purpose or Intent at Acquisition | Sub-categorized by Predominant Use | | | | Explanatory Comments |
|-------------------------|--|---|--------------------|-----------------------|-------------------------|-----------------------------|
| | Stewardship Land Acres | Conservation and Preservation | Operational | Commercial Use | Total Land Acres | |
| Agency 1 | 96,251,797 | 89,507,814 | 0 | 6,743,983 | 96,251,797 | 1 |
| Bureau 1 | 46,932,741 | 44,512,434 | 0 | 2,420,307 | 46,932,741 | 2 |
| Bureau 2 | 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 1** has reclaimed 2,600,000 acres of its operational land for conservation/preservation purposes. Note that the reclaimed land retains its G-PP&E distinction and accordingly, is NOT added to the SL category illustrated above; that is, the land's predominant use is reflected within its 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 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.

2 - **Bureau 1** has been granted authority to generate revenue on all of its SL and required to increase commercial uses where practical. As a result, some SL has been placed in a revenue generating status to assist in this regard and appropriately added to the existing Commercial Use sub-catefory balance.

2 - **Bureau 2** maintains land strictly for conservation/preservation purposes. Any operational use of the land is incidental and is not considered to be predominant.

APPENDIX C: ABBREVIATIONS

| | |
|-------|--|
| AICPA | American Institute of Certified Public Accountants |
| BIA | Bureau of Indian Affairs |
| BLM | Bureau of Land Management (Department of Interior) |
| CFR | Consolidated financial report of the U.S. government |
| DoD | Department of Defense |
| DOE | Department of Energy |
| ED | Exposure draft |
| FASAB | Federal Accounting Standards Advisory Board |
| FRPC | Federal Real Property Council |
| FRPP | Federal Real Property Profile |
| FS | Forest Service (Department of Agriculture) |
| FWS | Fish and Wildlife Service (Department of Interior) |
| GAAP | Generally Accepted Accounting Principles |
| GAO | Government Accountability Office |
| GPP&E | General Property Plant and Equipment |
| NFI | Non-financial Information |
| NPS | National Park Service (Department of Interior) |
| OI | Other Information |
| OMB | Office of Management and Budget |
| 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 |

APPENDIX D: GLOSSARY

Acres of Land Held for Disposal or Exchange - For purposes of this standard, land (acres) is considered held-for-disposal or exchange when the entity has satisfied the legislative disposal authority requirements specific to the land in question. Disposal includes conveyances of federal land not limited to sale, transfer, exchange, lease, public-private partnership, and donation or any combination thereof.

Commercial Use¹³ – land or land rights which are predominantly used to generate inflows of resources from non-federal third parties usually through special use permits, right-of-way grants, and leases. Such inflows may arise from exchange or non-exchange activities and may or may not be considered dedicated collections. Some examples include revenue or inflows derived from:

1. concession arrangements,
2. grants for a specific project such as electric transmission lines, communication sites, roads, trails, fiber optic lines, canals, air rights, flumes, pipelines, and reservoirs.
3. land sales or land exchanges,
4. leases,
5. 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,
6. forest product sales such as timber, or sales arising from national forests and grasslands.
7. public-private partnerships.

Conservation and Preservation - Land or land rights which 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.¹⁴

¹³ <https://www.blm.gov/programs/lands-and-realty/> and <https://www.fs.fed.us/sites/default/files/usfs-fy18-budget-overview.pdf> and Congressional Research Service, 7-5700, www.crs.gov R43822

¹⁴ <https://www.nps.gov/kg0/learn/education/classrooms/conservation-vs-preservation.htm>

General – Pproperty, Pplant and Eequipment

~~G-PP&E Land - Land and permanent land rights (land rights of unlimited duration) acquired for or in connection with other general PP&E²⁹ shall be included in are considered general PP&E for purposes of disclosure but will not be capitalized on the balance sheet. General PP&E land should have one or more of the characteristics identified in paragraph 23. General PP&E land shall exclude (1) any withdrawn public lands or (2) land restricted for conservation, preservation, historical or other like restrictions. Such land would remain categorized as stewardship land, unless the reporting entity made the election to implement the provisions of paragraph 40.f.i.. In some instance, 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 29 - ^{29a}"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.~~

Operational – 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:

Military¹⁵ - to prepare for the effective pursuit of war and military operations short of war; to conduct combat, peacekeeping, and humanitarian military operations; and to support civilian authorities during civil emergencies.

Scientific¹⁶ – to conduct and manage research, experimentation, exploration and operations to include 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).

Nuclear¹⁷ – to manage or regulate the use of nuclear energy, power plants, radioactive materials, radioactive material shipments, nuclear storage, and nuclear reactor decommissioning.

¹⁵ REF: FASAB Appendix E

¹⁶ REF: https://www.nasa.gov/about/highlights/what_does_nasa_do.html, and *Two Types of Science*, by Colin McGinn <http://www.oxfordscholarship.com/view/10.1093/acprof:oso/9780199841103.001.0001/acprof-9780199841103-chapter-9>

¹⁷ <https://www.nrc.gov/reading-rm/basic-ref/students/what-is-nuclear-energy.html>

Comment [DS55]: Per S. Showalter 28 August pre-brief – add G-PP&E Land definition to Questions and glossary.

Staff: Concur. Thank you.

Other Related – that are operational, administrative, or other in nature. For example, land used for readiness and training, office building locations, storage or vacant.

Stewardship Land - Stewardship Land ~~is~~ includes both public domain and acquired lands 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.~~

1. forests and parks,
2. recreation and conservation,
3. wildlife habitat and grazing,
4. historic landmarks and/or to preserve pre-historic and historic structures (those listed on or eligible for listing on the National Register of Historic Places),
5. multiple purpose ancillary revenue generating activity (for example, special use permits, mineral development activities and timber production),
6. buffer zones for security, flood management, and noise and view sheds.

FN15 - Land rights are interests and privileges held by the entity in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights, and other like interests in land.

FN16 - ~~“Used or Acquired for or in connection with” is defined as including (1) public land or acquired land used acquired with the intent to construct general PP&E and (2) 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 in connection with items of general PP&E but meeting the definition of stewardship land should be classified as stewardship land unless such land is not distinct or clearly identifiable. In such cases, categorization as general PP&E would be appropriate.

Comment [DS56]: Per S. Showalter 25 August email - Could we say multiple purpose revenue generating activity?

Staff: Concur.

Comment [DS57]: Per G. Scott email dated 22 August – include ancillary before revenue generation.

Staff: Concur.

Task Force Member Agencies

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

Task Force Member Firms

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

Comment [DS58]: Per S. Showalter 25 August email.

Staff: Thank you.

FASAB Board Members

D. Scott Showalter, Chair

[R. Scott Bell](#)

Gila J. Bronner

Robert F. Dacey

Michael H. Granof

Patrick McNamee

[Mark Reger](#)

George A. Scott

Graylin E. Smith

Comment [DS59]: Staff edit – Place holder for new Treasury representative.

Comment [DS60]: Staff edit – Place holder for new OMB representative.

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