

Reclamation Manual

Directives and Standards

SUPPLEMENT TO THE DEPARTMENT OF THE INTERIOR DEPARTMENTAL ACCOUNTING MANUAL

FILE: 07 CASH AND OTHER ASSETS
20 Property, Plant, and Equipment
10 Capitalization and Valuation

Subject(B)(4): Plant Accounting - Land

Purpose: Establishes policy and procedures for the valuation of and accounting for investment in land and land rights.

Authority: Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*, and the U.S. Treasury Standard General Ledger

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Scope. Reclamation obtains land and land rights for authorized project purposes. Reclamation's general property, plant, and equipment consist of land, construction in progress, construction in abeyance, buildings, other structures and facilities, data processing software, and equipment.

4. Land.

- A. **Costs.** All capitalized land costs shall be recorded in the Federal Financial System (FFS) in standard general ledger account (SGL) 1711 - *Land and Land Rights*. All capitalized land costs will be classified as general plant, property, and equipment (PP&E). Refer to Reclamation Manual (RM), *Plant Accounting - General Property, Plant, and Equipment*, FIN 07-20-10B(2). Standardized “main” and “sub” combinations are required for all account structure codes set up to record capitalized land transactions in SGL 1711. (Appendix A - Glossary, contains definitions for this supplement.) The standardized main/sub combinations segregate all land costs into two major classifications: (1) hard land costs and (2) soft land costs. The standardized main/sub combinations are identified beginning in paragraph (1) below with examples of associated land cost activities. All land transactions that impact capitalized land values shall be recorded in FFS. The Regions shall have processes in place whereby the Regional Lands Resource Manager (RLRM) provides the Regional Finance Officer (RFO) adequate transactional support documentation for all lands transactions to ensure that all costs are fully recorded in the FFS accounting system. The RFO is responsible

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to ensure that the accounting information for these transactions is properly recorded in FFS. (See paragraph B.)

(1) **Hard Costs.** (Reconciled with FIRM).

- (a) Costs that represent actual payment for real estate (land) acquisition, including fee title, easements, rights-of-way, mineral rights, and mineral subordinations, are referred to as hard costs. Other costs such as crop payments and water rights are included as hard costs when they are included as part of the original land acquisition cost. Hard costs are distinguished in FFS through the use of main/sub combinations 100/10 or 100/20 in the account structure. Hard costs are reported in the Foundation Information for Real Property (FIRM) database in the Initial Acquisition Cost field. These are the costs used to reconcile FFS and FIRM land values.
- (b) Temporary land rights, such as temporary easements, temporary rights-of-way, temporary storage rights, temporary water rights, etc., are not considered land costs and generally would not be recorded in SGL 1711. The only time the cost of a temporary easement or other temporary land right would be included in SGL 1711 is when the cost of the temporary land right is included in the acquisition contract for the land or the permanent land right.

(i) **100/10 Lands, Fee Title.**

- Purchase price
- Exchange – cash equalization
- Crop payments, Severance damages, Special benefits, Cost-to-Cure, and other factors that are considered in the appraised value and are included in the initial land acquisition contract
- Water rights when appurtenant to land and included in the land acquisition costs
- All mineral rights costs, whether acquired independently or included in initial land acquisition contract

(ii) **100/20 Permanent Land Rights and Easements.**

- Rights-of-way
- Easements (including those acquired through the exercising of reserved rights)
- Mineral subordination costs, whether acquired independently or included in initial land acquisition contract

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(2) **Soft Costs.** (Not reconciled with FIRM). Capitalized incidental land costs, other than costs incurred specifically for the acquisition of land or land rights, are referred to as soft costs. These costs are distinguished in FFS through the use of main/sub combinations 100/30, 100/40, 100/50, 110, or 120 in the account structure. These costs are not reported in FIRM. These costs are not included when reconciling land values between FFS and FIRM.

(a) **100/30 Other Land Costs**

- Appraisal fees
- Survey costs
- Title fees for examinations, insuring, registering & defending against claims (Costs incurred prior to acquisition)
- Broker fees
- Agent or broker commissions
- Salaries & related employee expenses
- Costs to install fences, gates, cattle guards, etc., on land where the United States **does not** hold title to the land upon which such features are constructed. These types of costs would only be capitalized as a land cost if the actions are required by a seller as part of the price/conditions of obtaining land or a land right. The actions have to be taken on property for which the seller retains ownership. The purpose of such action may be to provide access to other parcels of land or to protect the interest and property of the seller. Whenever possible and appropriate, Reclamation encourages the seller to include the cost of such activities in his selling price. It would then be the seller's responsibility to contract with an independent party to perform the work.
- Damage claims not part of original land acquisition contract
- Relocation Assistance (Public Law 91-646)

(b) **100/40 Permanent Water Rights Not Appurtenant to Land**

- Water Use Rights
- Water Storage Rights

(c) **100/50 Donated Land**

(d) **110 Relocation of Property of Others**

- Highways, roads, and appurtenant structures

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- Railroads and railroad structures
- Power lines
- Telephone and telegraph lines
- Gas and oil lines
- Waterlines
- Buildings and improvements
- Cemeteries, historical markers and monuments

(d) **120 Clearing Land**

- Cost to clear or otherwise prepare land for intended project use; initial clearing actions
- Archeological inventory, survey, and mitigation activity that is directly related to clearing the land. These costs will only be capitalized if they occur after Reclamation has received authority to construct or if they are incurred after the decision to construct has been made. (Regions can assign standardized regional subs each as needed for tracking purposes.)

B. Transactions. Some land acquisition and disposition transactions can affect capitalized land values without automatically generating a complete FFS accounting entry. It is the RLRM responsibility to provide the RFO written support documentation for these types of land transactions. The RFO will make the necessary accounting entries in FFS. An explanation of the most common of such land transactions and the proper accounting treatment for each are discussed below:

- (1) **Donations.** A transaction would be classified as a donation when a non-Federal party makes a gift of land to the agency and no payment is made for the value of the land. The estimated fair value at the time the donated land is acquired by the government will be recorded in FFS as a soft cost using 100/50 main/sub. The RLRM is responsible for providing the estimated fair value to the RFO.
- (2) **Transfers.** A transfer is where Federal agencies transfer the jurisdiction over a parcel of land from one Federal agency to another. Transfers between Department of the Interior (DOI) bureaus usually do not involve a cash payment or cash equalization. Transfers between DOI and other agencies can involve payment if the transferring agency incurred costs to acquire the land being transferred. Generally, a document from the relinquishing agency is acceptable documentation to support a transfer of jurisdiction. Written notification of the transaction (acquisition or disposal) would be needed to support any changes to hard and soft land costs in FFS. The RLRM is responsible to provide written information to the RFO regarding the impact of a transfer to hard land costs. The RFO is responsible for determining the entries needed in FFS to record any impacts for

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associated soft costs. Input from the RLRM may be beneficial in making this determination. Withdrawn lands transfers will not affect hard land values in FFS. The value of land transferred from other Federal entities shall be the value recorded by the transferring entity. If the receiving entity cannot reasonably ascertain those amounts, the value of the land shall be its estimated fair value at the time of transfer.

- (3) **Title Transfer Program.** Reclamation has specific legislation, which allows title and/or jurisdiction to be transferred from Reclamation to another entity. Refer to the specific authorizing legislation to determine the appropriate accounting treatment for each title transfer.
- (4) **Exchanges.** A land exchange is when jurisdiction or title of one parcel of land is exchanged for jurisdiction or title to another. A land exchange can involve two or more Federal agencies or a combination of Federal agencies and non-Federal parties. Exchange transactions can be extremely diverse and the accounting treatment shall be determined on a case-by-case basis. A simple example might involve two Federal agencies exchanging withdrawn lands. No hard cost land values would be recorded in FFS in such a case. An example of a more complicated exchange might be where three or more Federal agencies and non-Federal parties are involved and there is a mix of land ownership types and values. Land exchanges generally involve cash equalization payments when land values are not equal. The RLRM is responsible to provide written notification to the RFO for such transactions and to provide land value information. The RFO is responsible to ensure that the proper hard land cost and any associated soft costs are recorded in FFS.
- (5) **Partial Parcel Disposals.** The disposal of a partial parcel of land requires that the original acquisition cost for the whole parcel be prorated (using cost per acre) to determine the hard costs to be removed from the records. The soft costs associated with the whole parcel are to be prorated in the same manner to determine the soft costs to be removed from the records. The total cost (hard and soft costs) of the acres being removed from the records will be used to calculate any gain or loss on the transaction. The RLRM will provide the RFO written documentation to support the number of acres involved in the partial disposal and the total acres in the original acquisition. The RFO is responsible for determining the proper accounting entries to record the disposal and any associated gain or loss depending upon the land status and associated funding.

- C. **Repayment Implications.** Project land sales, transfers, or exchanges may have impacts on project repayment. The land status, repayment agreements, project funding

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sources, and authorizing legislation should be reviewed for all land transactions to ensure that repayment impacts are properly handled.

D. **Reconciliation.** The RFO and the RLRM are jointly responsible to ensure that hard land costs recorded in FFS in SGL 1711 are reconciled annually with the land costs recorded in the Initial Acquisition Cost field in FIRM. The reconciliation will be done to the project or unit level. The annual land reconciliation will be done as a cooperative effort between the RFO and the RLRM. The *Land Verification and Reconciliation Handbook* (available under “Financial Management, Policy” on the FAD intranet website) contains detailed instructions for the reconciliation process.

E. **Related References.**

- RM, *Plant – General Property, Plant, and Equipment*, FIN 07-20-10(B)(2)
- RM, *Plant - Non-Traditional Assets*, FIN 07-20-10(B)(9)
- RM, *Reconciliation of Standard General Ledger*, FIN 03-20-20(B)
- RM, *Standard General Ledger (SGL) Chart of Accounts*, FIN 04-20-10(A)
- Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*
- RM, *Real Property Management Records*, LND 09-011
- RM, *Land Acquisition*, LND 06-01
- RM, *Real Estate Appraisals*, Appendix C – Glossary, LND 05-01
- RM, *Land Withdrawals, Withdrawal Reviews, and Withdrawal Revocations*, LND 03-01
- RM, *Land Disposal*, LND 08-02
- RM, *Crediting of Incidental Revenues*, PEC 03-01