

Reclamation Manual

Directives and Standards

Subject:	Land
Purpose:	Establishes accounting requirements and procedures for investment in land and land rights. The benefit of this Directive and Standard (D&S) is to provide guidance to properly record land and land rights in accordance with generally accepted accounting principles.
Authority:	Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards No. 6, Accounting for Property, Plant, and Equipment
Approving Official:	Director, Mission Support Organization
Contact:	Finance Policy and Programs Division; Policy, Compliance, and Audit (PC&A) (84-27410)

1. **Introduction.** The Bureau of Reclamation obtains land and land rights for authorized project purposes by purchase, condemnation, exchange, donation, transfer, and patent reservations. These lands are acquired lands recorded as general property, plant and equipment. See Reclamation Manual (RM) D&S *Land Acquisition* ([LND 06-01](#)) for additional information. Reclamation also obtains jurisdiction over lands of the United States for project purposes by withdrawal from the public domain. It records these lands as stewardship lands. See RM D&S, *Land Withdrawal, Withdrawal Management, and Withdrawal Revocation* ([LND 03-01](#)).
2. **Applicability.** This D&S applies to all Reclamation staff responsible for land related transactions in the Financial and Business Management System (FBMS) modules.
3. **Record.**
 - A. Regional realty office staff or area office land staff (land staff) maintain records for the real property under their jurisdiction. They create the FBMS land records for purchases, exchanges, withdrawals, transfers in, and donations. They populate the accounting and land information within the FBMS asset and the real property modules respectively.
 - B. The regional finance office determines the required accounting entries to properly record land transactions in accordance with FASAB standards. PC&A provides general oversight of all land transactions recorded in FBMS and responds to regional requests for assistance.
4. **Land Cost.** Reclamation records capitalized land costs to obtain acquired land as general property, plant, and equipment. Land staff ensure the land value for all land transactions are recorded properly in FBMS, in consultation with the regional finance office. Reclamation uses the standardized “main” and “sub” combinations (13th through 17th positions of the

Reclamation Manual

Directives and Standards

work breakdown structure (WBS), also known as the first five positions of the job number of the WBS) as outlined below for all account structure codes set up to record capitalized land transactions in general ledger (GL) 1711.xxxxx, *Land and Land Rights*. The standardized main/sub combinations segregate all land costs into two major classifications: hard land costs and soft land costs.

A. **Hard Costs.** Hard costs represent actual payment for real estate (land) acquisition, including fee title, easements, mineral rights, and mineral subordinations. Crop payments and water rights are hard costs when included as part of the original land acquisition. Reclamation records the cost of temporary land rights such as temporary easements, temporary storage rights, temporary water rights, etc., in GL 1711.xxxxx only when the acquisition contract for the land or the permanent land right includes the cost of the temporary land rights in the total acquisition cost. The main/sub combinations 100/10 or 100/20 in the WBS identify hard costs in FBMS. Reclamation creates and posts land acquisitions within the FBMS asset module and posts the acquisition cost to GL 1711.xxxxx. Reclamation must report hard costs in the hard cost asset record (also known as real estate object-property record) in FBMS. The main/sub combinations for hard costs with examples of associated land cost activities are:

(1) **100/10 – Lands, Fee Title.**

- (a) Purchase price.
- (b) Exchange – cash equalization.
- (c) Crop payments, severance damages, special benefits, cost-to-cure, and other factors considered in the appraised value and included in the initial land acquisition contract.
- (d) Water rights when appurtenant to land and included in the land acquisition costs.
- (e) All mineral rights costs acquired independently or included in the initial land acquisition contract.

(2) **100/20 – Permanent Land Rights and Easement.**

- (a) Easement, if less than a fee interest.
- (b) Permanent easements (including those acquired through the exercise of reserved rights).
- (c) Mineral subordination costs acquired independently or included in the initial land acquisition contract.
- (d) Crop payments, severance damages, special benefits, cost-to-cure, and other

Reclamation Manual

Directives and Standards

factors considered in the appraised value and included in the initial land acquisition contract.

B. Soft Costs. Soft costs are capitalized incidental land costs, which are capitalized costs other than those incurred specifically for the acquisition of land or land rights (see below for examples). The main/sub combinations 100/30, 100/40, 100/50, 110, or 120 in the WBS identify soft costs in FBMS. Reclamation creates new soft cost main assets using a land asset class that does not create a hard cost asset record. The land staff links the soft cost asset record (also known as soft cost asset master record) to the hard cost asset record manually through the assignment tab in the asset record. Create as many soft cost asset records as necessary and link to the appropriate hard cost asset records. The land staff disposes of the soft cost asset records linked to the hard cost asset record at the same time as the disposal of the hard cost asset record. The main/sub combinations for soft costs with examples of associated land cost activities are:

(1) **100/30 - Other Land Costs.**

- (a) Appraisal fees.
- (b) Survey costs.
- (c) Title fees for examinations; insuring, registering, and defending against claims (costs incurred prior to acquisition).
- (d) Broker fees.
- (e) Agent or broker commissions.
- (f) Salaries and related employee expenses.
- (g) Environmental compliance activities.
- (h) Costs to install fences, gates, cattle guards, etc., on land where the United States **does not** hold title to the land where we construct such features and for which the seller retains ownership. Reclamation must capitalize these types of costs as a land cost if the seller requires the actions as part of the price/conditions of obtaining land or a land right. 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 must encourage the seller to include the cost of such activities in their selling price and the seller becomes responsible to construct the features.
- (i) Damage claims not part of the original land acquisition contract.
- (j) Relocation assistance (Uniform Relocation Assistance and Real Property

Reclamation Manual

Directives and Standards

Acquisition Policies Act of 1970 (Pub. L. 91-646; 841 Stat. 1894)) costs authorized per Title II of Pub. L. 91-646; such as the following:

- (i) moving and related expenses;
 - (ii) replacement housing for the homeowners;
 - (iii) replacement housing for the tenants; and
 - (iv) relocation assistance advisory services.
- (2) **100/40 - Permanent Water Rights Not Appurtenant to Land.**
- (a) Water use rights.
 - (b) Water storage rights.
- (3) **100/50 – Donated Land.**
- (a) Fee title land.
 - (b) Permanent easement.
- (4) **110 - Relocation of Property of Others.**
- (a) Highways, roads, and appurtenant structures.
 - (b) Railroads and railroad structures.
 - (c) Power lines.
 - (d) Telephone lines.
 - (e) Gas and oil lines.
 - (f) Water lines.
 - (g) Building and improvements.
 - (h) Cemeteries, historical markers, and monuments.
- (5) **120 - Clearing Land.**
- (a) Cost to clear or otherwise prepare land for intended project use; initial clearing actions.
 - (b) Archeological inventory, survey, and mitigation activity directly related to

Reclamation Manual

Directives and Standards

clearing the land. Reclamation must capitalize these costs only if they occur after Reclamation receives authority to construct or after management has made the decision to construct. (Each region may assign standardized regional subs as needed for tracking purposes.)

5. **Transactions.** Reclamation obtains land and land rights for authorized project purposes from Federal and non-Federal sources through purchase, condemnation, exchange, donation, transfer, and patent reservations. This applies to easements as well as fee title lands. Reclamation also obtains jurisdiction over lands of the United States for project purposes by withdrawal from the public domain. The land staff makes the necessary entries in FBMS. A description of the most common land transactions and the proper accounting treatment for each, follows:
 - A. **Purchase from Non-Federal Source.** The acquisition cost of land or interest in land acquired by purchase from a non-Federal source. Reclamation records the fee title land acquisition costs as hard costs using 100/10 main/sub and records permanent land rights and easements using 100/20 main/sub.
 - B. **Condemnations.** Condemnation is the procedure for exercising the right of eminent domain. Reclamation records the final settlement amount as hard costs using 100/10 main/sub for land or 100/20 main/sub for permanent land rights and easements.
 - C. **Exchanges.** A land exchange occurs when Reclamation exchanges jurisdiction or title of one parcel of land for jurisdiction or title to another parcel of land. Exchange transactions can be extremely diverse, and Reclamation must determine the accounting treatment on a case-by-case basis. A simple example might involve two Federal agencies exchanging withdrawn lands. Reclamation does not record hard cost land values in FBMS in such a case. A more complicated exchange might involve three or more Federal agencies, non-Federal parties, and a mix of land ownership types and values. Land exchanges generally involve cash equalization payments when land values are not equal. To record a land exchange, the land staff must create a new asset for the new land and a retirement/partial retirement of the existing land. The land staff is responsible for providing written notification and land value information to the regional finance office for such transactions. The land staff is responsible for recording the proper hard land costs and any associated soft costs in FBMS.
 - D. **Donations.** A donation is a gift of land or land right from a non-Federal party to Reclamation with no payment for the value of the land or land right. Reclamation must have authorization to receive the donation. See the Department of the Interior, Departmental Manual [374 DM 6](#), *Donations* for additional information. Reclamation records the estimated market value at the time it acquires the donated land in FBMS as a soft cost using 100/50 main/sub. In the soft cost asset record, record the market and land values as the estimated market value provided by the land staff. The purchase price in the hard cost land record will always be zero. The hard cost asset record is recorded as a non-capitalized asset with a value of \$1.00.

Reclamation Manual

Directives and Standards

- E. **Transfers.** A transfer occurs when a transfer of the jurisdiction over a parcel of land transfers from one Federal agency to another. (Transactions with non-Federal entities are donations, disposals, etc.) Transfers between the bureaus of the Department usually do not involve a cash payment or cash equalization. Transfers between Reclamation and other agencies can involve payment if the transferring agency incurred costs to acquire the land. The relinquishing agency must provide documentation to support the cash payment on a transfer of jurisdiction. The land staff, in consultation with the regional finance office, is responsible for determining and processing the entries needed for the asset record(s) to record any impacts for associated hard and soft costs. In addition, withdrawn land transfers will not affect hard land values in FBMS. Reclamation must use the value recorded by the transferring entity as the value of land transferred from other Federal entities. If the transferred entity's value is not available, Reclamation uses the estimated market value at the time of transfer as provided by the land staff.
- F. **Withdrawal and Revocation.** There is no cost associated to withdrawn land. The regional land staff submits a request to the Bureau of Land Management (BLM) to withdraw land for project purposes. Reclamation does not have jurisdiction of the land until BLM issues a withdrawal order. The land staff submits a request to BLM to revoke the withdrawal. BLM, in turn, issues a revocation order. The jurisdiction returns to the BLM when they finalize the revocation process.
6. **Disposals.** The land staff processes transactions for full/partial retirements on disposals, revocations, and transfers (both the soft cost asset record and the hard cost asset record). PC&A verifies land retirement entries in FBMS.
- A. **Full Parcel Disposals.** Disposals include both hard and soft costs. Reclamation pooled the soft cost converted into FBMS by division, fund, and program. When disposing of any of the converted land assets, a pro-rata amount of the pooled soft cost must be partially disposed. Calculate the gain or loss based on the total cost (hard and soft costs) of the acres removed from the asset records. The land staff maintains written documentation to support the disposal. The land staff, in consultation with the regional finance office, is responsible for determining the proper entries to record the disposal and any associated gain or loss depending upon the land status and associated funding.
- B. **Partial Parcel Disposals.** Reclamation prorates (using cost per acre) the original acquisition cost of the whole parcel to determine the hard costs to remove from the records for partial parcel disposals. Prorate the soft costs (linked soft cost assets or a pro-rata amount of the pooled soft costs if the hard cost asset record converted into FBMS) associated with the whole parcel in the same manner to determine the soft costs to remove from the records. Calculate the gain or loss based on the total cost (hard and soft costs) of the acres removed from the records. The land staff maintains written documentation to support the number of acres involved in the partial disposal and the

Reclamation Manual

Directives and Standards

total acres in the original acquisition. The land staff, in consultation with the regional finance office, is responsible for determining the proper entries to record the disposal and any associated gain or loss depending upon the land status and associated funding.

7. **Repayment Implications.** Project land transactions may affect project repayment. Reclamation must review the land status, repayment agreements, project funding sources, and authorizing legislation for all land transactions to ensure it handles the repayment impacts properly. The regional finance office ensures compliance with laws and regulations related to repayment, cost allocation, and recovery of interest expense.
8. **Amortization.** Reclamation amortizes temporary easements and temporary water rights costs over the authorized period of use. See RM D&S, *Depreciation and Amortization* ([FIN 07-23](#)) and Paragraph 9 of this D&S for additional information.
9. **Additional Information.**
 - A. **Cost-to-cure.** The cost-to-cure is a proper measure of damage only when the amount is no greater in amount than the decrease in the market value of the remainder of the land. When the cost-to-cure is less than the severance damages, the United States may pay the cost-to-cure (Uniform Appraisal Standards for Federal Land Acquisitions, 2000, Section B-11, P.51).
 - B. **Permanent Easements.** Reclamation treats permanent easements just like acquired lands. Permanent easements are not subject to depreciation or amortization.
 - C. **Permanent Water Rights.** For accounting purposes, all permanent water rights are a land right. Reclamation capitalizes the cost and does not depreciate or amortize. Water rights acquired separate from the acquisition of land or are not appurtenant to land are a soft land cost.
 - D. **Severance Damages.** Under Federal rule, Reclamation will not assume severance damages merely because of a partial acquisition and it must support severance damages in the appraisal. Generally, Reclamation considers severance damages when arriving at a value for land acquisition and includes the severance damages as part of the acquisition cost.
 - E. **Special Benefits.** Under Federal rules, the value of such benefits may offset compensation for both severance damages and for the part of the land taken. Reclamation must support special benefits in the appraisal.
 - F. **Temporary Easements.** Reclamation amortizes temporary easements over the authorized period of use. Temporary easements are only land costs when included in the original acquisition contract.
 - G. **Temporary Water Rights.** For accounting purposes, temporary water rights are

Reclamation Manual

Directives and Standards

intangible assets. Reclamation capitalizes and amortizes the costs over the authorized period of use. Temporary water rights are not a land cost and Reclamation will not record the costs in GL 1711.xxxxxx unless the acquisition of contract for land or permanent land rights include the cost for the temporary water rights. The cost of acquiring a temporary water right becomes a component of cost of the activity that generated the need for the right and Reclamation records the costs in the appropriate GL for that activity.

- H. **Uniform Relocation Assistance and Real Properties Acquisition Policies Act of 1970, Pub. L 91-646 (Act).** The Act ensures the fair, consistent, and equitable treatment of persons displaced as a direct result of Federal or Federally assisted programs. Persons displaced because of the exercise of rights reserved under the Act of August 30, 1890, are eligible, if otherwise qualified, for relocation assistance payments and services. Compensation can include payments for such things as replacement housing, rental differential, business reestablishment, moving personal property, etc. These payments are land soft costs.
- I. **Water Storage Rights.** The costs usually associated with obtaining a water storage right include such things as filing fees and court and legal costs. In situations where Reclamation acquires land where the landowner had a water storage right, Reclamation will consider the storage right when determining the value of the land. Water storage rights do not include the right to use the water being stored.

10. Related References.

- A. Rights of Way Reserved to United States for Canals and Ditches, August 30, 1890 (ch. 837, 26 Stat. 371)
- B. Federal Water Power Act of June 10, 1920, Section 24 (Pub. L. 66-280; 41 Stat. 1063)
- C. Federal Property and Administrative Services Act of 1949 (Pub. L. 81-152; 63 Stat. 377)
- D. Compensation for Canal Rights of Way Act of September 2, 1964 (Pub. L. 88-561; 78 Stat. 808)
- E. Annual Real Property Inventories Regulation (41 CFR 102-84)
- F. [374 DM 6](#), *Donations*
- G. [FIN 07-20](#), *General Property, Plant, and Equipment (G-PP&E)*
- H. [FIN 07-23](#), *Depreciation and Amortization*
- I. [LND P03](#), *Wetlands Mitigation and Enhancement*

Reclamation Manual

Directives and Standards

- J. [LND 03-01](#), *Land Withdrawal, Withdrawal Management, and Withdrawal Revocation*
 - K. [LND 05-01](#), *Real Property Appraisal*
 - L. [LND 06-01](#), *Land Acquisition*
 - M. [LND 08-01](#) - *Land Use Authorizations*
 - N. [LND 08-02](#), *Land Disposal*
 - O. [LND 09-01](#), *Land Records*
 - P. [PEC P03](#), *Incidental Revenues*
 - Q. Treasury Financial Manual, USSGL Supplement Part 2, Section II, [Accounts and Definitions](#)
11. **Definitions.** See Appendix A.
12. **Review Period.** The originating office will review this release every 4 years.

RECLAMATION MANUAL TRANSMITTAL SHEET

Effective Date: _____

Release No. _____

Ensure all employees needing this information are provided a copy of this release.

Reclamation Manual Release Number and Subject

Summary of Changes

NOTE: This Reclamation Manual release applies to all Reclamation employees. When an exclusive bargaining unit exists, changes to this release may be subject to the provisions of collective bargaining agreements.

Filing instructions

Remove Sheets

Insert Sheets

All Reclamation Manual releases are available at <http://www.usbr.gov/recman/>

Filed by: _____

Date: _____