Reclamation Manual

Directives and Standards

Subject:	Plant Accounting - Land
Purpose:	Establishes requirements and procedures for the valuation of and accounting for investment in land and land rights. The benefit of this Directive and Standard (D&S) is to properly record and value investments in 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,* and the U.S. Treasury Standard General Ledger (SGL)
Approving Official:	Director, Management Services Office
Contact:	Business Analysis Division (BAD); Financial Policy, Compliance and Audit Team, 84-27410

1. **Introduction.** The Bureau of Reclamation obtains land and land rights for authorized project purposes. Reclamation's general property, plant, and equipment (PP&E) consists of land, construction in progress, construction in abeyance, buildings, other structures and facilities, data processing software, and equipment.

2. **Applicability.** This D&S applies to all regional finance offices.

3. **Definitions.** See Appendix A.

4. **Responsibilities.**

   A. **Regional Finance Officers.** The regional finance officers are responsible for:

      (1) the proper accounting for the capitalized value of assets and for properly recording operating expenses in accordance with FASAB standards;

      (2) ensuring compliance with laws and regulations related to repayment, cost allocation, and recovery of interest expense;

      (3) implementing policy and ensuring adequate procedures and controls are in place to ensure accurate and timely reporting of costs; and

      (4) annual recertification of the hard land costs recorded in the Federal Financial System (FFS) in SGL 1711 with the land costs recorded in the Initial Acquisition Cost field in the Foundation Information for Real Property Management (FIRM).

B. **BAD.** The BAD is responsible for:

(1) developing guidance and procedures to account for PP&E including depreciation of same;

(2) oversight, to ensure that established policy and procedures are in place and adhered to; and

(3) financial statement reporting and disclosure in Reclamation's Annual Report, as required by the Chief Financial Officer Act of 1990.

C. **Regional Finance Offices (RFO).** The RFO are responsible for:

(1) ensuring that all land costs are fully recorded in the FFS accounting system;

(2) ensuring proper entry into FFS of the accounting information for the transactions; and

(3) reconciling FFS to FIRM annually.

D. **Regional Lands Resource Management Office (RLRM).** The RLRM is responsible for:

(1) maintaining records for the real property under its jurisdiction; and

(2) providing the RFO adequate transactional support documentation for all land transactions.

E. **Records Management Office.** The records management office is responsible for:

(1) inputting initial data entry and adjustments to FIRM; and

(2) issuing monthly and annual reports to RFOs.

5. **Land.**

A. **Costs.** All capitalized land costs shall be recorded in FFS in SGL 1711 - *Land and Land Rights*. All capitalized land costs will be classified as general PP&E. Refer to Reclamation Manual (RM) D&S, *Plant Accounting - General Property, Plant, and Equipment* (FIN 07-20-10B(2)). Standardized "main" and "sub" combinations (first five digits of the job) are required for all account structure codes set up to record capitalized land transactions in SGL 1711. 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 5.A.(1) below with examples of associated land cost activities. All land transactions that impact capitalized land values shall be recorded in FFS.

(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 FIRM database in the Initial Acquisition Cost field. These are the costs used to reconcile FFS and FIRM land values.

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

(aa) Purchase price.

(bb) Exchange - cash equalization.

(cc) 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.

(dd) Water rights when appurtenant to land and included in the land acquisition costs.

(ee) All mineral rights costs, whether acquired independently or included in the initial land acquisition contract.

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

(aa) Rights-of-way.

(bb) Easements (including those acquired through the exercising of reserved rights).

(cc) Mineral subordination costs, whether acquired independently or included in the initial land acquisition contract.

(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.

(2) **Soft Costs.** 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.**

(i) Appraisal fees.

(ii) Survey costs.

(iii) Title fees for examinations, insuring, registering & defending against claims (costs incurred prior to acquisition).

(iv) Broker fees.

(v) Agent or broker commissions.

(vi) Salaries & related employee expenses.

(vii) 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 and for which the seller retains ownership. 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 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 their selling price. It would then be the seller's responsibility to contract with an independent party to perform the work.

(viii) Damage claims not part of the original land acquisition contract.

(ix) Relocation Assistance (Public Law 91-646).

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

(i) Water Use Rights.

(ii) Water Storage Rights.

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

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

(i) Highways, roads, and appurtenant structures.

(ii) Railroads and railroad structures.

(iii) Power lines.

(iv) Telephone and telegraph lines.

(v) Gas and oil lines.

(vi) Water lines.

(vii) Buildings and improvements.

(viii) Cemeteries, historical markers and monuments.

(e) **120 Clearing Land.**

(i) Cost to clear or otherwise prepare land for intended project use; initial clearing actions.

(ii) 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. (Each region can assign standardized regional subs 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's responsibility to provide the RFO written support documentation for these types of land transactions. The RFO will make the necessary accounting entries in FFS. A description of the most common of such land transactions, and the proper accounting treatment for each, follows:

(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 the Department of the Interior bureaus usually do not involve a cash payment or cash equalization. Transfers between the Department 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) is needed to support any changes to hard and soft land costs in FFS. The RLRM is responsible for providing 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 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 that 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 occurs 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. A more complicated exchange might involve three or more Federal agencies and 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. The RLRM is responsible for providing written notification and land value

information to the RFO for such transactions. The RFO is responsible for ensuring that the proper hard land costs and any associated soft costs are recorded in FFS.

(5) **Full Parcel Disposals.** The disposal of a full parcel of land requires that the original acquisition cost for the whole parcel be removed from the records. The soft costs associated with the whole parcel are to be removed from the records also. 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 disposal. 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.

(6) **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 remove 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 remove 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. **Specific Land Acquisition Programs.**

(1) **Description.** In some cases, land is acquired to comply with legislative requirements where title has been obtained by Reclamation from Federal and non-Federal sources through transfer, purchase, exchange, condemnation, or donation. This applies to easements as well as fee title lands. For example, in the Pacific Northwest Region, land was acquired to comply with the settlement land purchase provisions of the Columbia Basin Projects Act, March 10, 1943. A Land Development Account is established, which is used to account for these land transactions, including the appropriations that were made for land acquisitions and any revenues received from the sale of lease or land.

(2) **Columbia Basin Land Settlement Program.** The cost of purchasing these lands from private ownership (except donations) has been included as part of the Columbia Basin Land Settlement Program. The Land Settlement Program was established by the Columbia Basin Projects Act (Act), March 10, 1943. Under this Act, land was purchased to prevent speculation of project lands prior to the

construction of water delivery systems in the Columbia Basin, to assist in the permanent development of farming acreage and settlement of farm families.

C. **Repayment Implications.** Project land sales, transfers, exchanges, or settlement land programs may have impacts on project repayment. The land status, repayment agreements, project funding sources, and authorizing legislation must be reviewed for all land transactions to ensure that repayment impacts are handled properly.

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 *Land Verification and Reconciliation Process Handbook* (available under "Policy" on the BAD Intranet website) contains detailed instructions for the reconciliation process.

F. **Recertification.** Attestation by both the RFO and the RLRM that the documentation of the reconciliation and the hard costs stated in FFS/Financial Statements and FIRM are correct.

6. **Related RM References.**

A. FIN 07-20-10B(2)- *Plant Accounting – General Property, Plant, and Equipment*,

B. FIN 04-20-10A - *Standard General Ledger Chart of Accounts*

C. LND 09-01- *Real Property Management Records*

D. LND 06-01- *Land Acquisition*

E. LND 05-01- *Real Property Appraisal*

F. LND 03-01- *Land Withdrawals, Withdrawal Reviews, and Withdrawal Revocations*

G. LND 08-02- *Land Disposal*

H. PEC 03-01- *Crediting of Incidental Revenue*