

*The Board of Trustees
of the
School and Institutional Trust Lands Administration*

New Policy

Amends Policy No.

Repeals Policy No.

Policy Statement No. 98-01

Subject: Exchange of Lands

The Board of Trustees of the School and Institutional Trust Lands Administration met in open, public session on May 14, 1998, and by majority vote declared the following to be an official policy of the Board:

WHEREAS, the Trust Lands Administration exchanges land from time to time in the management of the trust lands; and

WHEREAS, the Financial Accounting Standards Board (FASB) has issued Accounting Policy Opinion (APBO) No. 29; and

WHEREAS, some land exchanges include cash, as well as land, the cash being referred to as “boot” in such cases; and

WHEREAS, school trust lands acquired from the United States are currently recorded on the balance sheets at a value of \$1 per acre; and

WHEREAS, land exchanges involving surface operation acres will be conducted in accordance with R850-90, and exchanges involving surface development acres will be conducted in accordance with applicable development rules and approved by the School and Institutional Trust lands Board of Trustees

NOW, THEREFORE, BE IT RESOLVED that in accordance with APBO No. 29, the Board of Trustees of the School and Institutional Trust Lands Administration directs the Administration to account for land exchanges as follows:

1. In land-for-land exchanges, the value of the surrendered land shall be deducted from the balance sheet at the value of \$1 per acre and the acquired land shall be added to the balance sheet at the equivalent value of the surrendered land.

Example 1: Twenty acres of land valued at \$1/acre is exchanged for 20 acres: the book value of the acquired land is \$20 or \$1/acre.

Example 2: Twenty acres of land valued at \$1/acre is exchanged for 100 acres: the book value of the acquired land is \$20 or \$.20 cents/acre.

Example 3: Twenty acres of land valued at \$1/acre is exchanged for one acre: the book value of the acquired land is \$20 or \$20/acre.

2. In land-for-land-plus-boot exchanges, the Board directs the Administration to value the acquired lands based on the following calculations:

Gain on Sale:

Value of acquired lands = Appraised value + boot

Gain = Boot - [(Boot ÷ Value of the acquired lands) * Book value of surrendered asset]

Book value of land acquired = [(Value of acquired lands - boot) ÷ value of acquired lands] * Book value of the surrendered asset

The book value of each individual parcel acquired is based on the acreage proportionate to the total book value.

Example:

Acres surrendered = 40

Book value of surrendered acres = \$40

Value per acre of surrendered acres = \$1

Appraised value of acquired acres = \$285,000

Boot received = \$73,480

Acres acquired = 21.058

Gain on sale: $\$73,480 - [(73,480 \div 358,480) * 40] = \$73,471.80$

Book value of acquired parcels = $[(358,480 - 73,480) \div 358,480] * 40 = \31.80

Book value per acre of acquired land = $\$31.80 \div 21.058 = \1.51