

**Executive Summary of Official
U. S. Department of Housing and Urban Development Response to
FASAB Exposure Draft - Accounting and Reporting of Government Land**

While HUD is neutral regarding FASAB's *Accounting and Reporting of Government Land Exposure Draft* and the corresponding questions for respondents, the Government National Mortgage Association (GNMA) provided the following comments for FASAB's consideration.

- GNMA has reviewed the exposure draft (ED) on land and determined the ED should have no impact on HUD/GNMA, as GNMA does not own land. The only potential land that could be considered would be land related to real estate owned properties (REOs), however our interpretation is that this standard does not apply to REOs since they are not part of G-PP&E. REOs are classified as "Other Non-Credit Reform Loans" in GNMA's Federal Balance Sheet and as "Acquired Property (i.e. Properties Held for Sale" under FASB standards, not as G-PP&E. This exclusion from G-PP&E is consistent with FASAB guidance (SFFAS 6) that says PP&E includes tangible assets, including land "acquired or constructed with the intention of being used, or being available for use by the entity." Since REOs are not being used or held for use by GNMA, it is properly excluded from G-PP&E.

1. Attachment: HUD responses to ED - Land Questions for Respondents

QUESTIONS FOR RESPONDENTS

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

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

The questions in this section are available in a Word file for your use at <http://www.fasab.gov/documents-for-comment/>.

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

Wendy M. Payne, Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW
Suite 1155
Washington, DC 20548

All responses are requested by July 30, 2018.

Q1. The Federal Accounting Standards Advisory Board (FASAB or “the Board”) proposes reclassifying general property, plant, and equipment (G-PP&E) land as a non-capitalized asset with no dollar amounts reported on the balance sheet. Any future acquisitions of land would be expensed on the statement of net cost. Disclosures regarding G-PP&E land would be required. For the proposed amendments, refer to paragraphs 8-10 (for component reporting entities) and 16 (for the consolidated financial report of the U.S. Government). For a detailed discussion and related explanation refer to paragraphs A9–A16, A21–A24, and A39–A41 in Appendix A: Basis for Conclusions.

a. Do you agree or disagree with the Board’s proposal to reclassify G-PP&E land as a non-capitalized asset with no dollar amounts reported on the balance sheet and expense future acquisitions on the Statement of Net Cost? Please provide the rationale for your answer.

- The U.S. Department of Housing and Urban Development (HUD) is neutral on the proposal as HUD does not hold G-PP&E land.

b. Do you agree or disagree that land information should be presented as basic information in the G-PP&E note disclosure? Please provide the rationale for your answer.

- HUD is neutral on the proposal as HUD does not hold G-PP&E land.

Q2. The Board has developed uniform disclosure requirements for G-PP&E land and stewardship land (SL). Both G-PP&E land and SL would be further disaggregated into three predominant use sub-categories. For each of the sub-categories, the following disclosures would be required from each component reporting entity: (1) a description of the entity’s policies, (2) physical quantity information, (3) estimated acres of land, (4) estimated acres of land held for disposal or exchange, (5) a general description of the types of land rights acquired by the entity, and (6) a reference to deferred maintenance and repairs information. Required disclosures for the government-wide financial statements include items (1), (3), and (4) above, as well as a general reference to agency reports for additional information. For the proposed amendments, refer to paragraphs 10, 13, 15, and 16. For a detailed discussion and related explanation refer to paragraphs A25, A33–A41, and A53–A54 in Appendix A: Basis for Conclusions.

a. Do you agree or disagree with the Board’s proposed component reporting entity disclosure requirements for G-PP&E land and SL? Please provide the rationale for your answer.

- HUD is neutral on the proposal as HUD does not hold G-PP&E land.

b. Do you agree or disagree with the Board’s proposed government-wide financial statement disclosure requirements for G-PP&E land and SL? Please provide the rationale for your answer.

- HUD is neutral on the proposal as HUD does not hold G-PP&E land.

- Q3. The Board proposes retaining both the G-PP&E land and SL categories for an entity's land holdings. For the proposed amendments, refer to paragraphs 8–14. For a detailed discussion and related explanation refer to paragraphs A17–A24 in Appendix A: Basis for Conclusions.

Do you agree with retaining the G-PP&E land and SL categories? Please provide the rationale for your answer.

- HUD is neutral on the proposal as HUD does not hold G-PP&E land.

- Q4. The Board proposes to revise the G-PP&E land and permanent land rights definitions. In addition, the Board proposes definitions for the following terms: acres of land held for disposal or exchange, commercial use land, conservation and preservation land, and operational land. For the proposed amendments, refer to paragraphs 8–11. For a detailed discussion and related explanation refer to paragraphs A9–A16 and A25–A33 in Appendix A: Basis for Conclusions.

Do you agree or disagree with the Board's proposed G-PP&E land and permanent land rights definition and the related sub-category definitions? Please provide the rationale for your answer.

- HUD is neutral on the proposal as HUD does not hold G-PP&E land.

- Q5. The Board proposes amendments to the current definition of SL including footnote 16 and definitions for the following terms: acres of land held for disposal or exchange, commercial use land, conservation and preservation land, and operational land. For the proposed amendments, refer to paragraphs 12–14. For a detailed discussion and related explanation refer to paragraphs A9–A16, A21–A24, and A26–A33 in Appendix A: Basis for Conclusions.

Do you agree or disagree with the Board's proposed definition of SL, including footnote 16 and the related subcategory definitions? Please provide the rationale for your answer.

- HUD is neutral on the proposal as HUD does not hold G-PP&E land.

- Q6. The Board is proposing a two-year implementation period, which would make the proposed requirements effective for reporting periods beginning after September 30, 2021. For a detailed discussion and related explanation refer to paragraphs 19, A9–A12, A42–A45, and A51–A52 in Appendix A: Basis for Conclusions.

Do you agree or disagree with the proposed effective date? Please provide the rationale for your answer.

- HUD is neutral on the proposal as HUD does not hold G-PP&E land.

- Q7. The Board has continually noted the fundamental challenges associated with developing and documenting information regarding historical assets like land. Technical Release (TR) 9, *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*, paragraph 85 states in part that a methodology needs to be employed to develop documentation to support management's assertions of federal ownership. For a detailed discussion and related explanation refer to paragraphs A51–A54 in Appendix A: Basis for Conclusions.
- a. **Would incorporating any of the guidance contained in TR 9 in the proposed accounting standards facilitate the preparation and auditing processes? For example, should the list of examples of the supporting documentation contained at paragraph 85 in TR 9 be incorporated, changed, or expanded to facilitate implementation of the proposed requirements? Please provide the rationale for your answer.**
 - HUD is neutral on the proposal as HUD does not hold G-PP&E land.
 - b. **What type of implementation guidance should FASAB provide that enables (1) flexibility for supporting estimated acres of land and (2) assistance in identifying predominant use as well as selecting appropriate physical unit categories? Please provide the rationale for your answer.**
 - HUD is neutral on the proposal as HUD does not hold G-PP&E land.
- Q8. The Board encourages respondents to not only provide input concerning any and all aspects of the proposed changes, but also other matters that may not have been specifically addressed in this exposure draft. In addition, the Basis for Conclusions explains the Board's goals for this proposal (see discussion beginning at par. A1) and also discusses other issues raised by task force members, as well as experts and practitioners both within and external to government (as an example, see par. A1–A12, A42–A45, and A46–A50).
- Moreover, the Board is interested in receiving comments specific to the following matters:
- (1) Its proposed use of non-financial information (NFI) as a means to provide information more relevant than the financial recognition and measurement of land
 - (2) Whether requiring the disclosure of "estimated acres of land" instead of "acres of land" would provide preparers greater flexibility and reduced burden while still ensuring that user needs are met
 - (3) The determination and application of materiality to NFI (that is, the appropriate considerations for NFI)
 - (4) Whether materiality is affected by the presentation of land information as basic, required supplementary information, or other information. For example, identify challenges in estimating the NFI in each of the three categories identified above.
- a. **Please provide your thoughts and rationale concerning the four areas noted above.**
 - HUD is neutral on the proposal as HUD does not hold G-PP&E land.

Please provide any other comments or suggestions you have regarding the goals for this project, other issues identified in the Basis for Conclusions, or other areas that have not been addressed.

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- GNMA has reviewed the exposure draft (ED) on land and determined the ED should have no impact on HUD/GNMA, as GNMA does not own land. The only potential land that could be considered would be land related to real estate owned properties (REOs), however our interpretation is that this standard does not apply to REOs since they are not part of G-PP&E. REOs are classified as "Other Non-Credit Reform Loans" in GNMA's Federal Balance Sheet and as "Acquired Property (i.e. Properties Held for Sale" under FASB standards, not as G-PP&E. This exclusion from G-PP&E is consistent with FASAB guidance (SFFAS 6) that says PP&E includes tangible assets, including land "acquired or constructed with the intention of being used, or being available for use by the entity." Since REOs are not being used or held for use by GNMA, it is properly excluded from G-PP&E.