

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.**

VA – Agree. Historical cost information for land is considered of limited value to most users of financial statements. With many VA land purchases occurring decades ago, recorded amounts are valued at the “lower of cost or market”. As a result, the amounts reported are relatively meaningless. Implementation would simply require a reclassification of current amounts from the balance sheet to the statement of net cost and going forward future acquisitions would be reported directly on the statement of net cost.

- 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.**

VA – Agree. It is essential that some basic information about land holdings be presented in a meaningful manner that can be of value to users of financial statements.

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.**

VA – Agree. A note disclosure allows for the dissemination of additional information that cannot be displayed on the face of the financial statements.

- 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.

VA – Agree. Standardizing disclosure requirements will improve comparability on a uniform government-wide financial statement basis.

- 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.

VA – Agree for consistency.

- 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.

VA – Agree. Request FASAB clarification as to whether “preservation land use” would be identified under categories “Stewardship Land” or “G-PP&E” since they seem to overlap.

The disclosure requirements are not currently reported in VA's Capital Asset Inventory (CAI) property management repository. However, VA believes the requirements for the proposed sub-categories are obtainable. In addition, a note disclosure may be more beneficial to users as the current valuation is of limited value.

- 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.

VA – Agree. Request FASAB clarification as to whether “preservation land use” would be identified under categories “Steward Land” or “G-PP&E” since they seem to overlap.

The disclosure requirements are not currently reported in VA's Capital Asset Inventory (CAI) property management repository. However, VA believes the requirements for the proposed sub-categories are obtainable. In addition, a note disclosure may be more beneficial to users as the current valuation is of limited value.

- 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.

VA – Agree. A two-year implementation period is reasonable.

- 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.**

VA – Recommend adding reference such as, "It is up to the agency management to provide any such alternative supporting documentation, developed in a manner that is considered reasonable."

- 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.**

VA – Recommend flexibility in any FASAB guidance for supporting estimated acres of land. Agency Management is responsible for providing reasonable support of its assertions in determining the predominant use of land categorizations. Categorization of land should not be burdened by limitations where land may fall into multiple categories depending on subjective review.

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.

VA – The new disclosure information is not currently reported in VA's Capital Asset Inventory (CAI) property management repository. However, VA believes the requirements for the proposed sub-categories are obtainable.

1. The note disclosure may be more beneficial to users than the current limited cost valuation.

While the fair value of land certainly varies by location, it can further vary by passage of time and circumstance, making determination of fair value just as meaningless as the currently utilized cost valuation

2. If detailed counts of acres are not readily available, requiring “estimated acres of land” instead of “acres of land” would certainly provide preparers greater flexibility and reduced burden, while still ensuring that user needs are met.

3. It should be at the discretion of Department/Agency management to determine what NFI supports required disclosures.

4. Materiality should not be affected by the presentation.

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.

VA – Please clarify the requirements for “a reference to deferred maintenance and repairs information”, which is listed as the number (6) disclosure in Q2 above. Is a reference to related information addressed in the Required Supplementary Information portion sufficient?