



Department of Energy

Washington, DC 20585

July 30, 2018

MEMORANDUM FOR THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

FROM: Karin Dasuki
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SUBJECT: Comments on the Federal Accounting Standards Advisory Board's (FASAB's) Statement of Federal Financial Standards Exposure Draft: *Accounting and Reporting of Government Land*

The Department of Energy (Department) appreciates the opportunity to comment on the FASAB's Exposure Draft: *Accounting and Reporting of Government Land*. Responses to the questions in the Exposure Draft are provided below.

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.

Agree. The Department agrees with the Board's proposal for the reasons identified in the Exposure Draft. The non-financial measures to be included in the note disclosure would provide more relevant and comparable information than the historic cost of land. In addition, the relevance of the historic cost of land owned by the Department of Energy is diminished considerably by the significant environmental liabilities that pertain to some of the Department's land holdings.

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.

Agree. Land information should be presented as basic information in the G-PP&E note disclosure. Use of acreage as a basis of disclosure will provide a level of comparability under the three subcategories proposed by the Board.

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.

Agree. The Department currently maintains property management records that can provide the required note disclosure information.

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.

Agree. The Department agrees based on the rationale provided in the Exposure Draft.

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.

Agree. The G-PP&E land and SL categories should be retained, and the definitions of the sub-categories based on land use are appropriate.

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.

Agree. The proposed revised definitions of G-PP&E land, permanent land rights, and the other terms in Q4 above should be adopted based on the explanations provided in the Exposure Draft.

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.

Agree. The amendments to the current definition of SL, including footnote 16 and the related subcategory definitions, are appropriate.

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.

Agree. Departmental compliance with the proposed implementation date is feasible.

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.

Agree. Incorporating the guidance and examples in Technical Release 9 would facilitate the financial statement preparation and auditing processes. The guidance should include management’s ability to assert land ownership based on non-traditional supporting documentation.

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.

DOE Response: Implementation guidance for supporting estimated acres of land and predominant use should be consistent with the information in the Exposure Draft paragraphs A51 and A52, i.e., the Board does not seek exact precision in determining estimated acres of land or predominant use assessments; the Board does not intend to direct or prescribe the use of any particular approach; and preparers may apply a variety of methods and techniques in arriving at estimates, including non-traditional supporting documentation, to develop reasonable acre estimates to satisfy the requirements.

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.

DOE Response: The responses to the previous questions adequately address the Department's views regarding the four matters above.

b. 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.

DOE Response: The Department does not have any additional comments or suggestions regarding this Exposure Draft.

Questions concerning the Department's responses may be referred to William Truitt, Director, Financial Policy Division, Office of Finance and Accounting, at William.Truitt@hq.doe.gov or (202) 586-1065.