

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
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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.**

Generally agree. As an entity responsible for following the accounting guidance, we understand that not capitalizing land is the less demanding route for tracking and supporting land assets, however, we acknowledge that land is an asset for all non-federal and commercial entities that is reported on their balance sheets when it meets an entity’s capitalization criteria. Although this position is inconsistent with other accounting frameworks, it is far easier (though not ideal) to take the direction of the board.

While we understand that (1) FASAB’s goal is to standardize financial reports and reduce burden on agencies associated with valuing, recording, and monitoring GPP&E land assets; and (2) the inherent complexities of the land asset class lead to agencies following differing accounting methodologies which adversely impacts the comparability of reports across the Federal Government, we do not fully understand how these challenges merit eliminating the asset recognition requirement for GPP&E land on the balance sheet. While fair market value is understandably challenging and costly to establish/maintain, historical cost (or a reasoned, supported estimate) should be an achievable metric. One suggestion would be that agencies use tax assessments, which include estimated land values and are received annually, as the basis for the value of the land when donated or purchased. This could then be leveraged as historical cost when recording in the financial statements. Tax assessments would be consistent, measurable, and relatively easy/low cost for agencies to obtain. We believe GPP&E land meets the definition of an asset and associated recognition criteria codified in SFFAC No. 5, and for agencies where land is a material item, its exclusion from the Balance Sheet could be perceived as misleading. Therefore, while we understand the Board’s rationale, we do not fully understand how this change will effectively capture perceived potential efficiencies and improve the accuracy of financial reporting.

- 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.**

Generally agree. The note disclosure that the Board proposes provides mission-focused information that enhances the usability of the financial reports for the audience. We support this addition even if the accounting treatment for GPP&E

land were to remain unchanged. The proposed disclosures would be useful to an outside party and could seemingly be produced at limited cost.

There is some concern that all land should be reported under the same note as land and follow SFFAS 29's guidance. If so, all land will have the same accounting treatment and note disclosure requirements, and there would be no benefit to requiring separate note disclosures.

- 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.**

Generally agree; however, the current focus on only NFI may not be appropriate. Although acres is a common denominator, even within a single category it is possible that the quality of acres varies. Disposing of high quality acres (e.g., rich in resources) for low quality acres (e.g., low in resources or previously harvested) would be difficult to discern under the current policy. Recommend some financial information related to disposals and acquisitions should be provided. Proposed: (1) mechanism (donation, purchase, transfer-in from state) and any costs paid to acquire land in the current period (2) total dollars received from sale of land, by category of sale (e.g., open auction, closed auction), (3) insight into any land transferred "in kind". This provision already does not need to be applied to immaterial items, and additional emphasis could be provided on that point. This is especially true for agencies which hold substantial amounts of land. These agencies would seemingly be the most likely to not suffer from items listed under A42, or would benefit the most from developing/improving such a capability.

There is some concern with the separation of stewardship land from G-PP&E land, required reference to deferred maintenance and repairs (DM&R) information, and with the requirement to report the amounts paid to maintain land rights. There is no added value in separately identifying and reporting stewardship land from other G-PP&E land given the proposed accounting treatment is the same and both require the same subcategory definitions. Stewardship PP&E was created as a category that resembles the physical characteristics of balance sheet PP&E, but differs in the nature of its use that warranted a separate accounting standard. However, land will be treated the same and will not be reported on the balance sheet so there is not capitalized

land to resemble to warrant separate reporting in the notes to the financial statements.

Entities are already required to follow SFFAS 42 regarding DM&R. SFFAS 42 requires entities to state whether their DM&R relates to capitalized personal property or non-capitalized personal property. Requiring this disclosure makes it appear that DM&R will be applied to all non-capitalized land, which may not be the policy of the entity. Therefore, this disclosure requirement should be omitted from this standard and SFFAS 42 relied upon for DM&R reporting.

The requirement to report the amounts paid during the year to maintain land rights is in conflict with the standard. The standard allows for expensing for land and permanent land rights and the choice to expense temporary land rights, which does not require cost accumulation and tracking as needed for capitalized assets. However this disclosure requirement requires cost accumulation, tracking and disclosure of the cost to maintain all land rights which equates to the cost of the land rights that would be reported on either the balance sheet or the statement of net cost and without consideration for significance. We recommend this requirement that "Land rights information should include...amounts paid during the year to maintain such rights" be removed from the disclosure requirements.

- 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.**

Generally agree with the Board's proposal to provide government-wide disclosure. Implementing more detailed, uniform requirements across all of the Federal government would be challenging. Further, standardization may adversely impact the usefulness of agency-specific reporting. It is also likely that most users of the information are concerned with a small sub-set of agencies.

If disclosing at the government-wide level is not adopted, could possibly include information in the supplementary section.

- 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.

Generally agree – The segregation is helpful for users. However, there is some concern that the stewardship land category was created to expense land that was not considered connected with G-PP&E while all other land and land right was separated for a capitalization decision. With both types of land being expensed, there is no added benefit to requiring entities to identify and maintain separate categories of land while also requiring reporting across the same sub-categories. It may be possible to use one table to provide the necessary non-financial information that facilitates demonstration of operating performance and stewardship.

- 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 with the Board’s proposed definitions.

- 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.

Generally agree – The definitions and disclosures provide clarification for the user. However there was one concern with the definition and separate identification of SL. Any land that is not intended for to be held for sale or other type of disposal is “intended to be held indefinitely” when purchased. There does not appear to be a meaningful distinction between SL and other land based on the subcategory requirements and disclosure requirements.

- 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 – 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.**

Agree – TR 9 should be included as follows:

Federal land was acquired in a variety of ways, so alternative methods and/or forms of supporting government ownership are acceptable including, and not limited to the following examples: Public law; treaties, entity certifications, maintenance or renovation contracts, maintenance records, payment invoices, meeting minutes, historical databases, initial surveys of land, a history of past/historical practices (for example, the length of time an entity controls the land establishing de facto ownership), or other relevant sources of information.

Providing explicit examples of documentation, research/analysis, or other activities which should generally be sufficient to meet GAAP is useful and can provide a clearer path for agencies to follow. It may also aid auditors in testing, and almost certainly reduces back and forth between agencies and their auditors.

- 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.**

Implementation guidance should include flexibility for supporting estimated acres of land and flexibility in identifying predominant use as well as selecting appropriate physical unit categories (if the determination is made to include physical unit categories as a mandatory disclosure). We also request FASAB to include guidance on how to handle land and land right agreements given the potential for inconsistent treatment of a land asset based on SFFAS 54.

The list of items provided in A52 seem generally appropriate depending on the scenario. Better articulation of when less precise methods are allowable would be appreciated, as documentation should naturally be more precise where land was (1) acquired more recently and (2) in more populated areas.

FASAB should provide practical guidance with sufficient detail and examples that make it feasible for agencies to implement and understandable for both agency preparers, legislative overseers, and the taxpayer.

- 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

Agree.

- (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

Agree.

- (3) The determination and application of materiality to NFI (that is, the appropriate considerations for NFI)

Materiality should be a consideration as it allows for flexibility in assessing the impact and need of what to report to users of the information so as to not confuse or overwhelm them. As a preparer, this may be difficult to provide for reasons listed in paragraph A42.

- (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.

Materiality is not affected by where the information is reported, however, the scrutiny around the information that is reported increases as the information moves to be reported from “other information to basic information.

a. Please provide your thoughts and rationale concerning the four areas noted above.

We recommend the Board make disclosure requirements consistent across agencies. We believe reliable measures exist for agencies to develop quantifiable, comparable, consistent information on land holdings. These include tax assessments that would accurately assess land value and county assessments to estimate acreage. Other tools such as Google Maps and open domain surveying tools could be benchmarked and leveraged for these estimates as well. We recommend the Board consider incorporating this into guidance and as examples.

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.

There was one concern with the amendment to SFFAS 42 to add “non-capitalized general PP&E land (to include permanent land rights to the standard. It is suggested that SFFAS 42 be amended to remove “stewardship land” as a requirement.

FASAB EXPOSURE DRAFT Accounting and Reporting of Government Land Due Date: 31 July 2018							
Please update Header and Footer to Classify as Appropriate							
Comment #	Page #	Line #	Section #	IC Element/POC and Contact Info	Comment Type	Comments	Rationale
					Indicate (S) for Substantive or (A) for Administrative		
1	Overall			OGA	S	Recommend consolidating G-PP&E land and stewardship land as one "land" category and amending SFFAS 6 to remove the mention of land and move all land requirements and language to SFFAS 29 and renaming "Stewardship land" to "Land"	There is no added value in separately identifying and reporting stewardship land from other G-PP&E land given the proposed accounting treatment is the same and both require the same subcategory definitions. Stewardship PP&E was created as a category that resembles the physical characteristics of balance sheet PP&E, but differs in the nature of its use that warranted a separate accounting standard. However, land will be treated the same and will not be reported on the balance sheet so there is not capitalized land to resemble to warrant separate reporting in the notes to the financial statements.
2	14		Paragraph 7	OGA	S	Recommend including an amendment to SFFAS 54 to treat land leases in a manner similar to intragovernmental leases.	Without the exclusion, land will receive differing accounting treatments. For example, based on SFFAS 54, a land lease that with a purchase option that will probably be exercised should be treated like a purchase requiring the land be expensed However, if a purchase option does not apply, and the other criteria are met the lease costs of that same underlying land asset should be reported on the balance sheet. This standard allows for all owned land to be expensed, so SFFAS 54 should allow for consistent treatment when land is leased.
3	16		Paragraph 8.c	OGA	A	Recommend including a statement that the estimated value of the land is strictly the remainder of the cost after the estimate for the building and is not required approximate an actual cost of the land.	If the cost of the structure must be estimated, then we are indirectly estimating the amount relating to the land that will be expensed (total cost-estimated building cost = land value). The estimate for the land should not be subjected to audit scrutiny such that it becomes audit practice to require land estimations to validate that the allocation of cost between the land and a building.
4	16		Paragraph 8.d	OGA	A	FN 41 still includes "...and land rights" preceding the discussion that amortization is applied to intangible assets.	It appears "land rights" should have been removed from FN 41 consistent with other edits in the exposure draft. Otherwise, the word "temporary" should be added prior to "land rights" in FN 41 consistent with FN 42.
5	16		Paragraph 8.e	OGA	A	Why is "and land" being removed from FN 46 as a major class of general PP&E?	Per the edits to paragraph 25 of SSFFAS 6 (paragraph 8.a in the exposure draft), land and permanent land rights acquired for or in connection with other general PP&E are still considered general PP&E.
6	17		Paragraph 10 Subparagraph 45A.c	OGA	S	Paragraphs 1, 2 and 4 of the exposure draft state that the purpose of the Statement is to "ensure consistent accounting treatment and reporting" and "consistent measurement and recognition practices should increase comparability and understandability..."	The inclusion of a disclosure requirement related to physical unit information for land provides limited, if any, value and does not appear to meet the primary purpose of the Statement. The exposure draft recognizes that physical units may be based on a variety of criteria which will impact the consistency and comparability of such information between Executive agencies.
7	18		Paragraph 10 Subparagraph 45A.c.ii	OGA	S	Recommend making the requirement to present land by "units" optional.	Reporting physical units of land may not be conducive for some entities. The example provided is offices which we expect to be accounted for as a building, structure, or facility and reported based on the capitalizable real property requirements of SFFAS 6, so it is duplicating effort to also require tracking and reporting under land requirements. The National Park Service could report physical units by the number of parks because taxpayers are interested in that information, however, for many land is not countable like individual pieces of heritage assets. Estimated acres provides more meaningful information.

8	18		Paragraph 10 Subparagraph 45A.f	OGA	S	Why must agencies include a "reference to deferred maintenance and repairs" information in the footnote disclosures for land?	A similar reference to the Required Supplementary Information is not currently required for other asset classes within G-PP&E disclosures such as buildings and equipment.
9	21		12.a	OGA	A	Recommend clarifying the distinction between Steward ship land and G-PP&E land	Any land that is not intended for to be held for sale or other type of disposal is "intended to be held indefinitely" when purchased. Therefore, fitting the land into the appropriate category G-PP&E vs Stewardship is confusing.
10	23		Paragraph 13 - Subparagraph 40 as amended by 40.c.2	OGA	S	Recommend making the requirement to present land by "units" optional. The example provided is offices which we expect to be accounted for as a building, structure, or facility and reported based on the capitalizable real property requirements of SFFAS 6, so it is duplicating effort to also require tracking and reporting under land requirements.	The example provided is offices which we expect to be accounted for as a building, structure, or facility and reported based on the capitalizable real property requirements of SFFAS 6, so it is duplicating effort to also require tracking and reporting under land requirements.
11	23		Paragraph 13 - Subparagraph 40.e	OGA	S	Recommend deleting the disclosure language requiring entities to "report the amounts paid during the year to maintain land rights."	The standard allows for expensing for land and permanent land rights and the choice to expense temporary land rights, which does not require cost accumulation and tracking as needed for capitalized assets. However this disclosure requirement requires cost accumulation, tracking and disclosure of the cost to maintain all land rights which equates to the cost of the land rights that would be reported on either the balance sheet or the statement of net cost and without consideration for significance. We recommend this requirement that "Land rights information should include...amounts paid during the year to maintain such rights" be removed from the disclosure requirements.
12	23		Paragraph 13 - Subparagraph 40.f	OGA	S	Recommend deleting the DM&R disclosure language.	Entities are already required to follow SFFAS 42 regarding DM&R. SFFAS 42 requires entities to state whether their DM&R relates to capitalized personal property or non-capitalized personal property. Requiring this disclosure makes it appear that DM&R will be applied to all non-capitalized land, which may not be the policy of the entity. Therefore, this disclosure requirement should be omitted from this standard and SFFAS 42 relied upon for DM&R reporting.