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COMPTROLLER

Wendy M. Payne
Executive Director
Federal Accounting Standards Advisory Board
Mailstop 6H19
441 G Street, NW, Suite 6814
Washington, DC 20548

Dear Ms. Payne:

The Department of Defense (DoD) is pleased to submit the attached comments to the Federal Accounting Standards Advisory Board on the proposed Exposure Draft (ED), *Accounting and Reporting of Government Land*. The DoD understands the importance of providing useful, understandable information to users of the financial statements while considering the efficient use of resources when preparing such information. The DoD generally agrees with the proposed ED with a few specific exceptions. Detailed answers to FASAB's questions are contained in the attached response, including the areas where we disagree or request additional clarification.

Thank you for considering the DoD's input.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mobola A. Kadiri", is located below the word "Sincerely,".

Mobola A. Kadiri
Director, Financial Improvement and Audit
Remediation

Enclosure:
As stated



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.**

DoD Response: *Agree. Historical cost for federal land is not useful, and in many cases, immeasurable. Most GPPE land was acquired (either by purchase or annexation) long ago. The remainder is a very small percentage of federal land. To spend significant time and cost to support the historical costs of such a small percentage of the federal portfolio would not serve the tax payers or users of the statements.*

- 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.**

DoD Response: *Agree. Accountability information that is important to users should be presented in the G-PP&E note disclosure. Acreage is a measure that is readily available and consistently defined.*

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.**

DoD Response: *Partially Agree. Disclosures need further clarification, as follows:*

(1) **DISAGREE.** *Description of the entity's policies: Excess information; readdress requirement after initial data collected to see if additional policies are needed.*

(2) **Partially Agree.** Physical quantity information; Need further clarification on this definition. If this is the "Physical Unit" information, it can be useful. Also, does this relate to "Unit Count"? Nomenclature for the above terms needs clarification.

(3) **Agree.** Estimated acres of land should be a data requirement.

(4) **Partially Agree.** Estimated acres of land held for disposal or exchange: Coordination for land disposals is generally accomplished through GSA. Processes for meeting the reporting criteria based on when the service has "satisfied legislative disposal authority requirements" for the land must be established.

(5) **Partially Agree.** Land rights information should include a general description of the types of land rights acquired by the entity; Requirement needs refinement. In general, there is Fee and less than Fee interest in land, with innumerable variations.

(6) **DISAGREE.** Reference to deferred maintenance and repairs information; It is not clear how this DM&R concept would apply to land. If the intent is for use with improvements on/in the land (i.e., facilities), those requirements and processes are already in place.

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.

DoD Response: Disagree. See response to Question 2a.

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.

DoD Response: Agree.

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.

DoD Response: Agree. Definitions are reasonable. However, recommend clarifying that "acres of land held for disposal or exchange" does not include land transferring between federal entities and, whether it's two component reporting entities within a single reporting entity, two

independent federal reporting entities, or any other interaction between federal reporting entities.

- 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.

DoD Response: *Agree.*

- 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.

DoD Response: *Agree. However, a 3 year timeline would be preferable due to process and system changes, and training that will need to occur to implement the standard.*

- 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.**

DoD Response: *Agree. It would be beneficial to include and expand on the examples of documentation from paragraph 85 in TR 9 in this new standard. Examples of supporting documentation will assist implementation.*

- 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.**

DoD Response: *Provide examples of acceptable approaches to estimating physical acres such as surveys, geospatial tools, plats, records, etc. Provide examples of how to identify "predominant use" when land has more than one use simultaneously.*

- 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.**

DoD Response:

- 1) *Agree.*
- 2) *Agree that estimating acres of land is preferable.*
- 3) *Materiality is relevant. Omission of a material disclosure would be a departure from GAAP.*
- 4) *One challenge is if two categories overlap on a given acre of land. For example, if a revenue generating activity exists on conservation land. If each reporting entity develops its own business rules, it could result in inconsistent reporting.*

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.

DoD Response:

1. Reference to land being "one of the most 'valuable' assets" on pg. 5 raises a question about why the focus is not on value. It may be more appropriate to highlight volume and related reporting burden as a justification for change.
2. SFFAS 7 and 42, use term 'stewardship PP&E' while SFFAS 29 refers to 'heritage assets'; there should be consistency of terms across standards to minimize confusion.
3. For both GPP&E land and SL land, are unclear what is deemed by FASAB as deferred maintenance and repair for land.(SFFAS 42)
4. SFFAS 29, paragraph 40 (paragraph 13 of the Exposure Draft) states: "Entities with stewardship land should reference a note on the balance sheet that discloses information about stewardship land, but no asset dollar amount should be shown." We suggest adding similar language for G-PP&E land in paragraph 25 of SFFAS 6 (paragraph 8a of the Exposure Draft) for clarity and consistency purposes. Accordingly, we suggest to make reference to the note on the balance sheet and to specify that no asset dollar amount should be shown.
5. For purposes of clarification, suggest that the FN 42 in paragraph 8 d of the exposure draft be modified to read as follows:

FN 42 – Temporary land rights, such as easements or rights-of-way, that are for a specified period of time or limited duration, and which have been capitalized, under paragraph 40.f.ii, shall be depreciated or amortized over that period of time.

6. The disclosure on physical unit information (paragraphs 10 and 13 of the Exposure Draft) seems to imply that there will be continuous accounting and reporting of physical units throughout the year in order to be able to account for the beginning balance, units acquired, units withdrawn, transfers, and an ending balance. Since the identification and reporting of physical unit information are not readily available in current financial reporting systems, we believe that compiling this information will be labor intensive and will provide limited value. This will also require additional time and effort to collect, update and report the information. Furthermore, the required physical unit information is beyond the information provided in the sample illustrations on pages 52 and 53 of the Exposure Draft. Accordingly, the provided illustrations do not provide enough information of what is expected to be reported. We believe the illustrations should include all of the required disclosure information for physical units in order for users to have a better understanding of what information is expected to be disclosed.