

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.**

HHS is not opposed to the proposal to reclassify G-PP&E to a non-capitalized asset with no dollar amounts reported on the balance sheet; however, we would also be content to continue to report land on the balance sheet. The accounting treatment for removing Land that is currently on the balance sheet from the general ledger should be added to the standard.

We agree that under current accounting standards, there is inconsistent reporting between agencies and types of land. Recent amendments to SFFAS 6 allow entities reporting under GAAP for the first time to exclude land and land rights from G-PP&E opening balances and in the future. In addition, no values are currently reported on the balance sheet for Stewardship Land.

On the other hand, if the change is made, FASAB accounting standards for land will be different than those of other governmental accounting standards setting bodies.

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

Yes, HHS agrees that land information, other than acres of land, should be presented as basic information in the G-PP&E note disclosure. Even if land is reclassified to a non-capitalized asset, it remains a valuable asset of the U. S. Government and agencies must be accountable for tracking and safeguarding the asset. Acres of land, if reported, should be reported as unaudited information. Any specificity regarding land such as acres will increase audit scrutiny and complexity as the audit community would be required to measure and confirm these 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.

HHS agrees with reporting the three predominant sub-categories; however, HHS has concerns about the requirement to report estimated acres of land because of the audit implications and cost of verifying the amount of land. Due to environmental changes such as earthquakes, volcanos, and flooding, land may not remain stable from year to year.

In addition, it may not be useful or cost effective for all agencies to describe land rights and amounts paid to maintain such rights or to reference deferred maintenance in the Land note. For many agencies, there is little deferred maintenance associated with land and land rights. We recommend disclosure only if the information about land rights and deferred maintenance would be of interest and significant to the reader.

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.

As noted above, we are concerned with reporting and auditing acres of 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.

Yes, HHS agrees with retaining both the G-PP&E and Stewardship Land categories. It is a reasonable way to categorize the land held by agencies and retains continuity with past reporting.

- 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.

HHS agrees with the proposed G-PP&E land and permanent land rights definitions, but we do not agree that permanent land rights should be distinguished from temporary land rights for financial reporting. We recommend that temporary land rights also be expensed when purchased. This would be consistent with the treatment allowed under SFFAS 50.

- 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.

HHS agrees with the proposed definition of stewardship land including Footnote 20. The additional language provides increased clarity to the definition.

- 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.

HHS agrees with the two year implementation period. Time will be needed to determine or confirm the estimated acres of land. HHS strongly recommends that the requirement to report estimated acres of land be deleted. The number of physical units (sites) should be sufficient.

- 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.**

HHS agrees that information similar to the information contained in paragraph 85 of Technical Release 9 should be incorporated into the proposed accounting standard. The information provided is helpful guidance for establishing evidence of ownership of the 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.

HHS suggests thoughtful detailed guidance similar to Technical Release 9. Guidance regarding removal of existing land from the balance sheet would be helpful.

HHS does not agree with reporting acres of land and land rights. If the requirement remains, the requirement for reporting acres of land rights needs to be clarified.

- 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) Materiality considerations are 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.

- (1) HHS agrees that sometimes NFI can be more useful and relevant than financial information; however, in the past it was usually provided in addition to the financial information.
- (2) If reporting the number of acres of land is required in the notes, adding the word “estimated” will not reduce the audit exposure. It will still be up to the

auditors to determine whether the sites of land need to be measured and the precision of the required measurements.

- (3) HHS agrees that it could be challenging to evaluate materiality for NFI since it is difficult to determine whether omitting a disclosure would impact the judgement of a reasonable person relying on the financial statements. The fact that often NFI was not disclosed in the past would indicate that it was probably not material to the reader. If the land in question were in the news and, therefore, publicly visible, the disclosures may be material. It will be important to disclose the new accounting treatment of land and that there is now no value on the balance sheet.
- (4) The cost/benefit of providing information should always be taken into consideration.

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.

HHS would like clarification of Footnote 21 regarding presentation of stewardship land information.