

**VOLUME 4, CHAPTER 24: “REAL PROPERTY”****SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an (\*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [bold, italic, blue, and underlined font](#).

The previous version dated [October 2019](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Policy Memo 2.4.2.5	This revision incorporated and cancelled the Deputy Chief Financial Officer (DCFO) policy memorandum “Alternative Valuation Methodologies for Establishing Opening Balances for Buildings, Structures, and Linear Structures” (FPM20-14), dated January 4, 2021.	Cancellation
Policy Memo 2.5.1	This revision incorporated and cancelled the DCFO policy memorandum, “Department of the Army Real Property Capitalization Threshold Exception to Policy Waiver (FPM24-08),” dated April 9, 2024.	Cancellation
Policy Memo 2.5.1	This revision incorporated and cancelled the DCFO policy memorandum, “Department of the Air Force Real Property Capitalization Threshold Exception to Policy Waiver (FPM24-07),” dated April 9, 2024.	Cancellation
Policy Memo 2.5.3 2.6	This revision incorporated and cancelled the DCFO policy memorandum, “Implementation of Statement of Federal Financial Accounting Standards 59, ‘Accounting and Reporting of Government Land’ (FPM 22-03),” dated September 30, 2022.	Cancellation
Policy Memo 2.5.4 Annex 3	This addition incorporated the Assistant Secretary of Defense for Infrastructure Modernization and Resilience and the DCFO joint policy memorandum, “Real Property Construction in Progress Accounting Policy (FPM23-05) and Asset Documentation Timeliness”, dated January 22, 2024.	Cancellation
2.1	Retitled “Overview” (previously paragraph 1.1), “Description,” to introduce the purpose earlier on in the chapter and added description of facilities and exclusions from real property.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.2	Added definitions of terminology used throughout the chapter.	Addition
2.3.2.9	Updated Non-Federal Joint Ventures, describing accounting treatment for Non-Federal Entity contributions to DoD construction clarifying how to record full cost of Real Property Assets in accordance with generally accepted accounting principles.	Revision
2.4 (previously Annex 4)	Revised Alternative Valuation for Establishing Opening Balances.	Revision
3.3	Added real property physical inventory reconciliation requirements.	Addition
A4.1	Updated the Construction in Progress illustrative examples.	Revision/ Addition

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## CHAPTER 24

**REAL PROPERTY**

## 1.0 GENERAL

## 1.1 Purpose

This chapter prescribes Department of Defense (DoD) real property accounting policy. The **real property** general ledger accounts listed in the United States Standard General Ledger (USSGL) are contained in [Volume 1, Chapter 7](#), “Department of Defense Standard Chart of Accounts,” and the accounting entries are specified in the [DoD USSGL Transaction Library](#). Unless otherwise stated, this chapter is applicable to all DoD Components, both General Fund and Working Capital Fund (WCF) activities.

## 1.2 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Title 10, United States Code, section 2674 ([10 U.S.C. § 2674](#)) “Operation and control of Pentagon Reservation and defense facilities in National Capital Region;”

1.2.2. [10 U.S.C. § 2682](#); “Facilities for defense agencies;”

1.2.3. [10 U.S.C. § 2721](#); “Property records: maintenance on quantitative and monetary basis;”

1.2.4. Title 41, Code of Federal Regulations, part 102-75 ([41 CFR 102-75](#)); “Real Property Disposal;”

1.2.5. Federal Accounting Standards Advisory Board (FASAB) [Statement of Federal Financial Accounting Standards \(SFFAS\) 1](#), “Accounting for Selected Assets and Liabilities;”

1.2.6. FASAB [SFFAS 4](#), “Managerial Cost Accounting Standards and Concepts;”

1.2.7. FASAB [SFFAS 6](#), “Accounting for Property, Plant, and Equipment;”

1.2.8. FASAB [SFFAS 29](#), “Heritage Assets and Stewardship Land;”

1.2.9. FASAB [SFFAS 42](#), “Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32;”

1.2.10. FASAB [SFFAS 44](#), “Accounting For Impairment of General Property, Plant, and Equipment Remaining In Use;”

- 1.2.11. FASAB [SFFAS 50](#), “Establishing Opening Balances for General Property, Plant and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35;”
- 1.2.12. FASAB [SFFAS 55](#), “Amending Inter-entity Cost Provisions;”
- 1.2.13. FASAB [SFFAS 59](#), “Accounting and Reporting of Government Land;”
- 1.2.14. Treasury Financial Manual ([TFM](#)) [Volume 1, Part 2, Chapter 4700](#), “Federal Entity Reporting Requirements for the Financial Report of the United States Government;”
- 1.2.15. FASAB Statement of Federal Financial Accounting Concepts ([SFFAC](#)) [5](#), “Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements;”
- 1.2.16. FASAB [SFFAC 7](#), “Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording;”
- 1.2.17. Technical Bulletin ([TB](#)) [2017-2](#), “Assigning Assets to Component Reporting Entities;”
- 1.2.18. FASAB Technical Release ([TR](#)) [13](#), “Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment;”
- 1.2.19. FASAB [TR 14](#), “Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment;”
- 1.2.20. FASAB [TR 15](#), “Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation;”
- 1.2.21. FASAB [TR 17](#), “Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment;”
- 1.2.22. FASAB [TR 18](#), “Implementation Guidance for Establishing Opening Balances;”
- 1.2.23. [Staff Implementation Guidance 6.1](#), “Clarification of Paragraphs 40 – 41 of SFFAS 6, Accounting for Property, Plant, and Equipment, as Amended;”
- 1.2.24. Office of Management and Budget ([OMB](#)) [Circular No. A-136](#), “Financial Reporting Requirements;”
- 1.2.25. DoD Directive ([DoDD](#)) [4165.06](#), “Real Property;”
- 1.2.26. [DoDD 5110.04](#), “Washington Headquarters Services;”
- 1.2.27. DoD Instruction ([DoDI](#)) [1015.15](#), “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources;”

- 1.2.28. [DoDI 4000.19](#), “Support Agreements;”
- 1.2.29. [DoDI 4165.14](#), “Real Property Inventory and Reporting;”
- 1.2.30. [DoDI 4165.70](#), “Real Property Management;”
- 1.2.31. [DoDI 4165.71](#), “Real Property Acquisition;”
- 1.2.32. [DoDI 4165.72](#), “Real Property Disposal;”

## 2.0 ACCOUNTING FOR REAL PROPERTY

### \*2.1 Description

[Real property](#) is a subset of General Property, Plant, and Equipment (General PP&E).

2.1.1. [General PP&E](#) consists of tangible assets that:

- 1.2.1.1. Have an estimated useful life of two years or more;
- 1.2.1.2. Are not intended for sale in the ordinary course of operations; and
- 1.2.1.3. Are acquired or constructed to be used or available for use by the entity.

2.1.2. [Characteristics of Real Property](#). Real property [assets](#) are used in providing goods or services, or [supporting](#) the mission of the entity, and have one or more of these characteristics:

2.1.2.1. The item could be used by other DoD or federal programs, state or local governments, or nongovernmental entities;

2.1.2.2. The item is used in business-type activities, which are defined as a significantly self-sustaining activity [financing](#) its operations through [the](#) collection of exchange revenue; and/or

2.1.2.3. The item is used by entities whose costs can be compared to similar activities (e.g., federal hospital services in comparison to commercial hospitals).

2.1.3. [Real Property Assets \(RPAs\)](#) consist of [facilities](#), land, and land rights.

2.1.3.1. Facilities [are](#) buildings, structures, or linear structures [that are permanently constructed on or in the land](#). Facilities include equipment affixed to the real property asset that facilitates the use of and is inclusive and intrinsic to the facility itself, such as heating, ventilation, and air conditioning equipment; utility connections; stairs; ramps; and passageways.

2.1.3.1.1. A building is a roofed and floored facility enclosed by exterior walls and consisting of one or more levels that is suitable for multiple functions and that protects occupants and their properties from the direct harsh effects of weather.

2.1.3.1.2. A structure is a facility, other than a building or linear structure, that is constructed on or in the land.

2.1.3.1.3. A linear structure is a facility that traverses land (e.g., runway, road, rail line, pipeline, fence, pavement, electrical distribution line) or is otherwise managed by a linear unit of measure at the category code (i.e., CATCODE) level. RPA Type Code (B, S, LS, L) is managed at the DoD-level Facility Analysis Category

2.1.3.2. Land is a portion of the earth's surface distinguishable by boundaries. Land must be accounted for by parcel when the parcel is transferred into a Host Installation's custody and control. Excluded from the definition are natural resources, including depletable resources such as mineral deposits and petroleum, and renewable resources such as timber and the outer continental shelf resources related to land.

2.1.3.3. A land right is an interest and privilege in land owned by others, such as leaseholds, easements, water, diversion rights, mineral rights, and other like interests in land.

2.1.4. Inclusions. Real property also includes:

2.1.4.1. Leasehold improvements (See [Chapter 26](#), "Accounting for Leases" for a discussion of accounting for real property acquired through leases);

2.1.4.2. Items for which a Military Department or Washington Headquarters Services (WHS) financially reports or has accountability of, even though these items may be possessed by others (e.g., state and local governments, colleges and universities, or contractors);

2.1.5. Exclusions. Real property excludes:

2.1.5.1. Items where the DoD has a reversionary interest (for example, the DoD grants real property; if the recipient no longer uses the real property for the grant purpose, it reverts to the DoD);

2.1.5.2. Lands withdrawn from the public domain for specific uses. To the extent consistent with statutory authorities, an entity may withdraw public land from sale, settlement, or recreational for specific use, such as to expand buffer zones for security or training needs.

2.1.5.3. Non-Multi-Use Heritage Assets or Stewardship Land (see descriptions in [Chapter 28](#), "Heritage Assets, Multi-Use Heritage Assets and Stewardship Land").

2.1.5.4. Leases of real property (see Chapter 26 for additional information).



## \*2.2 Definitions

2.2.1. DoD Components include the Office of the Secretary of Defense (OSD), Military Departments (including their Reserve components), Chairman of the Joint Chiefs of Staff, Combatant Commands, Office of the Inspector General of the Department of Defense, Defense Agencies, DoD Field Activities, and other organizational entities in the Department of Defense.

2.2.2. Component reporting entity refers to a reporting entity within a larger reporting entity. Examples include executive departments and agencies. Component reporting entities also include subcomponents that may themselves prepare general-purpose federal financial reports (GPFFRs). One example is a bureau that is within a larger department that prepares its own standalone GPFFR.

2.2.3. Funding DoD Component is the entity paying to acquire or construct the real property asset or improvement, regardless of whether appropriation or working capital funds are used.

2.2.4. Host Installation describes the Military Department (i.e., Department of the Army, Department of the Navy, which includes the U.S. Marine Corps, or Department of the Air Force, which includes the U.S. Space Force) or WHS on whose installation a real property asset is located. A Host Installation may be either a General Fund or a WCF operation.

2.2.5. DoD Construction Agent (DCA) is the DoD organization authorized to administer design and construction contracts for DoD facilities projects in accordance with applicable laws and regulations.

2.2.6. Materiality, as defined by the SFFAS 1, is the degree to which an item's omission or misstatement in a financial statement makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or the misstatement.

2.2.7. Opening Balances exist at the beginning of the annual reporting period. Opening balances reflect the prior period ending balance of the account and the effects of transactions, events, and accounting policies applied in the prior period. Opening balances also include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments.

2.2.8. An Unreserved Assertion is an unconditional statement.

2.2.9. Permanent Land Rights are land rights that are for an unspecified period of time or unlimited duration. Examples of permanent land rights include easements or rights-of-way.

2.2.10. Temporary land rights are land rights for a specified period of time or limited duration. Examples of temporary land rights include construction easements or rights-of-way.

## 2.3 Valuation

2.3.1. Recorded cost includes all amounts paid to bring the asset to its form and location suitable for its intended use. The recorded cost for capitalized assets is depreciated or expensed depending on the acquisition cost. Non-capital assets are expensed when acquired and do not depreciate. Capitalization is not dependent on whether the funds are appropriated or working capital funds.

2.3.1.1. Acquisition Cost is the original purchase or construction cost, net of (less) any purchase discounts. Purchase discounts lost and late payment interest expenses must be recognized as operating expenses. The amounts initially determined and recorded are referred to as the historical cost of an asset. Real property is valued at historical cost.

2.3.1.2. Net Book Value (NBV) is the recorded cost of a real property asset, less its accumulated depreciation, amortization, or depletion from the asset's original cost.

2.3.1.3. Fair Market Value is the current exchange amount in a transaction between willing parties, other than in a forced or liquidation sale.

2.3.1.4. Ancillary Costs are identifiable, necessary, and include other direct and indirect costs. Acquisition and ancillary costs are included in the recorded cost of the asset. Examples include:

2.3.1.4.1. Labor and other direct or indirect production costs;

2.3.1.4.2. Engineering, architectural, and other outside services for designs, plans, specifications, and surveys after funding and design authorization;

2.3.1.4.3. Facilities acquisition and preparation costs;

2.3.1.4.4. An appropriate share of construction equipment;

2.3.1.4.5. Fixed equipment and related installation costs required for activities in a building or facility;

2.3.1.4.6. Allowable inspection, supervision, and construction contract administration and construction work direct costs;

2.3.1.4.7. Legal and recording fees and damage claims;

2.3.1.4.8. Fair market value of facilities and installed equipment donated;

2.3.1.4.9. Interest paid directly to goods or services providers related to the acquisition or construction (not including late payment interest penalties).

### 2.3.2. Method of Acquisition or Transfer Determines Recorded Cost

2.3.2.1. Purchased Real Property. Recorded cost for real property assets purchased from a private, commercial, or state or local government includes the purchase contract cost plus applicable ancillary costs. Purchases by cash, check, or progress payments on contracts or purchase agreements are included.

2.3.2.2. Constructed Real Property. Recorded cost for constructed real property asset(s) is the sum of all the costs incurred to bring the real property asset(s) to a form and condition suitable for its intended use. Project design and actual construction costs, such as labor, materials, and overhead costs, are included. Preliminary planning and design costs prior to funding and design authorization are excluded. For Construction in Progress (CIP) cost recognition, see subparagraph 2.5.4.

2.3.2.3. Donated Real Property. Recorded cost for real property received through donation, execution of a will, or judicial process, excluding forfeiture, is estimated fair market value when received plus any costs incurred to bring the asset into service (e.g., legal fees). Assets transferred from a Non-Federal Entity (NFE) are donations, including assets transferred or reverted to the Federal government at the end of a land lease or end of a Military Housing Privatization Initiative.

2.3.2.4. Exchanged Real Property. Recorded cost for real property acquired through exchange between the DoD and a nonfederal entity is the fair market value of the consideration surrendered when exchanged. If the fair value of the real property acquired is more readily determinable than that of the consideration surrendered, the cost will be the fair value of the real property acquired. If fair market value cannot be determined, the cost is the consideration surrendered, net of any accumulated depreciation/amortization. Any difference must be recognized as a gain or loss. If cash consideration is included, the cost is increased by the cash consideration surrendered or decreased by the cash consideration received. If the fair market value is less than the consideration surrendered, the real property acquired cost is its fair market value. A loss must be recognized equal to the difference between the consideration surrendered and its fair market value. Exchanges between DoD Components or a federal agency must be accounted for as transfers.

2.3.2.5. Seized and Forfeited Real Property. The recorded cost for real property acquired through seizure or forfeiture is its fair market value, less any liens or claims from a third party.

2.3.2.6. Vested and Seized Property During Times of War. See [Volume 12, Chapter 29](#), “Administering, Using and Accounting for Seized and/or Vested Funds and Property During Contingency Operations,” for discussion of vested and seized property during times of contingency operations.

2.3.2.7. Transferred Real Property from a non-DoD Federal agency to DoD. Recorded cost for real property transferred from a non-DoD Federal agency to a DoD Component is the cost recorded on the transferring entity’s books, net of any accumulated depreciation/

amortization. If the receiving DoD Component cannot reasonably ascertain those amounts or the transfer is related to a non-capitalized asset, the cost is its fair market value when transferred. DoD Components should retain documentation supporting the transfer. See Table 24-3 for examples of supporting documentation.

2.3.2.8. Transfer of Capitalized Real Property between DoD Components must adhere to the following:

2.3.2.8.1. The recorded cost for real property transferred from one DoD Component to another is the gross cost net of accumulated depreciation/ amortization on the transferring DoD Component's books. The DoD Component transferring the real property must provide the gross cost recorded net of accumulated depreciation/amortization for the transferred asset. Both parties must agree to the transfer and document the agreement. Each DoD Component must complete requisite tasks in a timely manner.

2.3.2.8.2. The transferring DoD Component must provide financial reporting and trading partner information to the receiving DoD Component when the asset is transferred using the G-Invoicing and Intra-governmental Payment and Collections (IPAC) systems. These data elements include:

2.3.2.8.2.1. Project/Work Order Number;

2.3.2.8.2.3. Name;

2.3.2.8.2.3. RPUID (Real Property Unique Identifier);

2.3.2.8.2.4. Real Property Site Unique Identifier (RPSUID);

2.3.2.8.2.5. Contract Number(s);

2.3.2.8.2.6. Operational Status Code

2.3.2.8.2.7. Acquisition Original Recorded Cost Amount;

2.3.2.8.2.8. Capital Improvement Recorded Cost Amounts;

2.3.2.8.2.9. Placed-in-service Date (PISD);

2.3.2.8.2.10. Capital Improvement PISDs;

2.3.2.8.2.11. Facility Total Accumulated Depreciation Amount;

2.3.2.8.2.12. Capital Improvement Estimated Useful Life Year  
Quantity;

2.3.2.8.2.13. Facility Estimated Useful Life Quantity;

2.3.2.8.2.14. Facility Estimated Useful Life Adjustment Quantity;  
and

2.3.2.8.2.15. Applicable MGRS coordinate or other locational/GIS  
data;

2.3.2.8.2.16. Transaction details including Acquisition Fund Source Code, Acquisition Method Code, and Real Property Asset Predominate Design Use Facility Analysis Code (FAC). If this information is not available, the receiving and transferring entities must develop and document an estimate supporting the financial transfer of the asset. See [Volume 12, Chapter 14](#), “Transferring, Disposing, and Leasing of Real Property and Personal Property,” for further policy on transfers of DoD real property between [Host Installations](#).

2.3.2.8.3. DoD Components [have](#) different capitalization thresholds. Capitalized assets are capitalized and depreciated after transfer, regardless of the new financial reporting entity’s capitalization threshold. [Expensed](#) assets remain expensed at the new entity. The receiving DoD Components include the [assets](#) in [their Accountable Property Systems of Record](#) (APSR) as accountable real property.

\* 2.3.2.9. [Non-Federal Joint Venture Type Arrangements](#). When DoD Components engage in jointly funded construction of RPAs with Non-Federal Entities (NFEs) on DoD installations, including improvements and major renovations, such as Non-Appropriated Fund Instruments (NAFI) in construction of buildings used for Morale, Welfare, and Recreation (MWR) or State National Guard in construction of National Guard Readiness Centers (formally known as Armories), DoD components must value the RPAs at full cost based on the agreement between the DoD and the NFE.

2.3.2.9.1. Where the agreement stipulates written and expressed rights to be provided to the NFE, such as the expressed right to occupy or use the building after construction, the rights (even if intangible or deemed to be insignificant) consist of an exchange in return for the contribution of funding to the construction. Therefore, the funding contribution from the NFE is considered Other Revenue from Other Financing Sources, recorded under SGL 590000 with the “N” non-federal attribute and the “E” Budgetary Impact Indicator.

2.3.2.9.2. Where the agreement does not stipulate written and expressed rights to be provided to the NFE or where there is no expressed agreement, the funding contribution from the NFE is considered Donated Revenue, recorded under SGL 561000.

2.3.2.9.3. DoD Components must retain appropriate documentation of construction funding agreements, as well as blanket agreements between the DoD and NFEs. DoD components must also retain documentation for acceptance of the RPA that identifies the total cost of the constructed RPA.

## \*2.4 Alternative Valuation for Establishing Opening Balances

### 2.4.1. Applicability and Considerations

This section applies for the reporting period when the reporting entity is presenting financial statements, or one or more line items, following Generally Accepted Accounting Principles (GAAP) promulgated by FASAB either (1) for the first time or (2) after a period during which existing systems could not provide the information necessary for producing such GAAP-based financial statements without using the alternative methods. The SFFAS 50 alternative valuation for establishing opening balances for General PP&E is available only once per line item to each reporting DoD Component. Therefore, prior to establishing opening balances DoD Component must validate that they are prepared to account for and comply with SFFAS 6 recognition, measurement, presentation, and disclosure requirements for real property.

### 2.4.2. Deemed Cost

2.4.2.1. Deemed cost can be used to establish opening balances for real property. Deemed cost is an amount used as a surrogate for initial amounts that otherwise would be required to establish opening balances. Although the measurement basis for valuing general PP&E remains historical cost, reasonable estimates may be used to establish the historical cost of general PP&E. The Cost must include all costs incurred to bring the PP&E to a form and location suitable for its intended use. Deemed cost may be based on any, or a combination of, allowable valuation methods such as fair value, estimated historical cost, or replacement cost.

2.4.2.2. Fair market value is defined in subparagraph 2.2.1.3.

2.4.2.3. Estimated historical cost may be based on cost of similar assets at the time of acquisition; current cost of similar assets deflated to costs at the time of acquisition by general price index; or other reasonable methods, including latest acquisition cost and estimation methods based on budget, appropriations, engineering documents, contracts, or other reports reflecting amounts to be expended.

2.4.2.4. Replacement cost is the amount required for an entity to replace the remaining service potential of an existing asset in a current transaction at the reporting date, including the amount that the entity would receive from disposing of the asset at the end of its useful life. Replacement cost includes Plant Replacement Value (PRV). PRV does not include the value received from disposing of the asset.

\* 2.4.2.5. DoD's preferred valuation method for real property facilities is PRV. If a component plans to use another methodology for establishing opening balances of facilities for financial reporting, it must first ensure the methodology complies with GAAP and that the component has sufficient documentation to support the valuation. See Annex 2 for PRV methodology.

2.4.3. Existing real property assets with deemed cost equal to or over the current real property capitalization threshold and remaining book values are recorded as a part of the opening

balance. DoD Components **must** apply the applicable capitalization threshold to their entire population of real property retroactively, irrespective of the capitalization thresholds in effect for years prior to October 1, 2013. DoD Components **must include** all relevant prior period adjustments and note disclosures in their annual financial statements in accordance with SFFAS 50. DoD Components must perform additional analytical procedures to identify assets that have been improperly capitalized or expensed. Examples include searching for real property assets with values of \$0 or \$1 or reviewing for an erroneous additional zero, incorrectly placing the asset above the capitalization threshold.

2.4.4. When establishing opening balances using deemed cost, calculate a gross and an accumulated depreciation value for real property assets. **These values are recorded in the accounting records. Adjustments must be properly documented and supported to assist ongoing audit efforts.**

2.4.4.1. **Record** the difference between the deemed cost NBV on the opening Balance Sheet of the current fiscal year and the existing/historical NBV of the real property on the previous fiscal year ending Balance Sheet **as a prior period adjustment**. This prior period adjustment is a change in accounting principle in accordance with SFFAS 21, paragraph 13. **Deemed cost value depreciation must be recorded using the deemed cost, and existing/historical value depreciation must be removed.**

2.4.4.2. Remove the existing/historical gross value and accumulated depreciation from the APSR and replace it with **the** deemed cost gross value and accumulated depreciation. **Existing/historical real property value in the APSR and the deemed cost value documentation must be retained.**

2.4.5. **In some cases, the in-service date must be estimated. If only a range of years can be identified, then the midpoint of the range is an acceptable estimate of the in-service date. All improvements included in the opening balances at deemed cost may be treated as if they were placed in service at the date the base unit was placed in service.**

#### 2.4.6. Financial Statement Disclosure Requirements

DoD Components **using** the deemed cost methodology must **include a disclosure in their financial statements. The disclosure must describe** the alternate valuation method **used to establish** the financial statement opening balances. **Include** an unreserved assertion **that** one or more line items are presented fairly in accordance with GAAP. **The disclosure does not need to specifically identify** the amount of **the** deemed cost of real property included in the opening balances.

### 2.5 Recognition

\* 2.5.1. DoD Components must recognize real property assets for accountability. Real property assets must be expensed or capitalized and depreciated. The DoD Components must list capitalized assets and accumulated depreciation/ amortization on the appropriate financial statements. The **DoD** capitalization threshold for real property is \$250,000, **except for the**



following deviations. The capitalization threshold is \$1 million for Air Force General and Working Capital Funds, Army General Fund, Navy General Fund, and DoD Intelligence Agencies. The capitalization threshold is \$500,000 for Marine Corps General Fund Real Property.

### 2.5.2. Recognition Responsibility

2.5.2.1. DoD Components must report real property facilities located on their installations. Under 10 U.S.C. § 2682, the Secretary of Defense designates the military department jurisdiction of real property facilities. DoD Components with jurisdiction over real property assets report the assets on the General Fund financial statements. (see FASAB TB 2017-2). WHS is delegated jurisdiction over its facilities via 10 U.S.C. § 2674 and DoDD 5110.04. The DoD Components' WCF financial statements include real property if the WCF has jurisdiction over a specific installation.

2.5.2.1.1. The RPA Command Claimant Code identifies the Service organization that has direct command authority over a real property asset. This code must be reviewed whenever tenant agreements change.

2.5.2.1.2. The RPA Financial Reporting Organization Code identifies the organization responsible to report and depreciate the original asset or capital improvement or both on its financial statements.

2.5.2.2. Real property must be reported on the Host Installation financial statements where the real property asset is located, or as identified on the OSD-approved Enduring Location Master List for real property outside the U.S. The OSD identifies jurisdiction in the consolidated real property database. The Office of the Assistant Secretary of Defense (OASD) Acquisition and Sustainment (A&S) (Energy, Installations and Environment) maintains and manages the database. The OASD A&S helps resolve financial reporting responsibility disputes between Host Installations. Non-DoD entities report their funded real property assets located on a DoD installation.

2.5.2.3. Assets assigned to/from one reporting DoD Component to another reporting DoD Component must be treated as transfers of assets per [SFFAS 7](#).

2.5.2.4. Financial reporting responsibility includes all aspects of financial reporting and disclosures, including footnote disclosures, Deferred Maintenance & Repair (DM&R), and other Required Supplementary Information (RSI).

2.5.2.5. Financial reporting documentation must establish the reporting entity's rights and obligations (see paragraph 3.2). Records reflecting the Host Installation jurisdiction, inter- and intra-agency agreements, and host-tenant relationships are examples.

2.5.2.6. The DoD's and the Federal Government's overall accounting records must not be duplicative. Where doubt exists as to which DoD Component recognizes the real property asset, the DoD Components involved must reach agreement on which entity records the asset for financial reporting purposes. If an agreement cannot be reached, the matter must be referred to



OASD (Sustainment) for resolution. Requests for resolution must be accompanied by adequate supporting documentation to resolve the matter and submitted through the DoD Component Financial Management and Comptroller.

\* 2.5.3. Treatment

2.5.3.1. Capitalize the cost of all real property assets, other than land and land rights, that equal or exceed the applicable capitalization threshold and have a useful life of at least two years, and depreciate the cost over the assets' useful lives. Expend the cost of all real property assets below the applicable capitalization threshold or that have a useful life of less than two years.

2.5.3.2. Capitalize Temporary land rights and depreciate or amortize the cost over the specified period of time of the right acquired. For temporary land rights under lease contracts, refer to the guidance described in Chapter 26.

2.5.3.3. Expense the cost of acquiring land and permanent land rights on the statement of net cost when the cost is incurred. The cost includes all costs to prepare general PP&E land or a permanent land right for its intended use (for example, razing a building). The financial statement balance sheet must reference a note that discloses required information about land and permanent land rights, but no asset dollar amount is shown.

2.5.3.3.1. DoD Components that have received an unmodified audit opinion and are currently accounting for General PP&E land and land rights in accordance with SFFAS 6 must keep the land and land rights on the Balance Sheet along with existing disclosures.

2.5.3.3.2. DoD Components that do not already have an unmodified audit opinion must value existing land and land rights at zero dollars and expense future land acquisitions as described in SFFAS 50. Entries to adjust the value of land and land rights to zero represent a change in accounting principle and are subject to the reporting requirements within SFFAS 21.

2.5.3.3.3. In some cases, land may be acquired along with existing structures. If the structure is to be used in operations, the amount related to the structure is estimated and capitalized, while the cost of the land is expensed. If the structure is incidental to the acquisition of the land and is not intended to be used in operations, the cost of the entire acquisition is expensed.

2.5.3.3.4. General PP&E land or permanent land rights acquired through donation, legal devise, or a will, or judicial process are not capitalized.

\* 2.5.4. Construction In Progress

2.5.4.1. The Funding DoD Components must report construction costs of a capital asset anticipated to meet the capitalization criteria of the Host Installation in CIP until the construction of the capital asset is complete. Once complete and placed in service, the Host

Installation reports and depreciates the asset on the General Fund's financial statements. The WCF financial statements report real property if it has jurisdiction over a specific installation.

2.5.4.2. The journal entries required for the Funding DoD Components and the Host Installation reflect the flow of legal ownership of the asset. The Funding DoD Components do not recognize the asset on their books before transfer to the Host Installation because they do not hold title to and are not the ultimate owners of the real property asset. If the Funding DoD Component sub-allots to the DoD Construction Agent (DCA), the DCA is responsible for the same journal entries.

2.5.4.3. Additional costs incurred after the asset is placed in service are accumulated in the Funding DoD Component's CIP account. Upon final contract closeout, the Funding DoD Component relieves the additional accumulated CIP, and the Host Installation adjusts the original acquisition cost. The Host Installation depreciates the revised amount over the remaining useful life of the asset. See paragraph 2.8 for Depreciation.

2.5.4.4. See Annex 3 for a detailed outline of the CIP accounting life cycle.

2.5.4.5. DoD Components funding CIP must regularly reconcile their recorded CIP balances with any service provider/contractor working on the CIP. Balances must be supported by appropriate documentation such as invoices and reports of work progress.

2.5.4.6. If a construction project is cancelled, all accumulated CIP costs must be expensed. When a portion of a project is cancelled or decreased in scope, the direct and common costs associated with that portion must be expensed. All projects deferred for more than two years must be reviewed for continuance or cancellation.

#### 2.5.5. Intra-DoD Transfers

Both parties must agree to and document the transfer (e.g., DD Form 1354). The transferor must provide adequate and appropriate supporting documentation for financial statement reporting. Data elements included are not limited to the fields listed in subparagraph 2.2.2.8.2. The financial reporting information must be maintained with the asset throughout the asset lifecycle. When DoD Components have different capitalization thresholds, previously capitalized assets by the transferring DoD Component remain capitalized and will depreciate after transfer, regardless of the new financial reporting entity's capitalization threshold. Assets previously expensed by the transferring DoD Component must remain expensed within the new entity. The receiving DoD Components must include the assets in their APSR as accountable real property.

#### 2.5.6. Memorandum of Agreement.

All DoD Component tenants must have a Memorandum of Agreement (MOA) with the Host Installations. An MOA establishes rights and obligations between the Host Installation and the DoD Component using the real property asset. All tenants must maintain a list of occupied

real property facilities and facilities for which operations, maintenance, or improvement is the tenant's responsibility (see DoDI 4000.19 for DoD policy on intra-departmental support).

#### 2.5.7. WCF Capital Recovery Rate and Accounting Treatment.

WCF recovers real property construction costs funded by the WCF, regardless of financial reporting responsibility. When a real property asset or capital improvement is accepted/recorded by a different reporting entity, the WCF records an imputed cost in lieu of an actual depreciation expense. Capital recovery rates are set in accordance with Volume 2B, Chapter 9, "Defense Working Capital Fund Budget Justification Analysis."

#### 2.5.8. Inter-Entity Costs

**2.5.8.1.** SFFAS 55 requires recognition of significant inter-entity costs among and between federal agencies by business-type activities (e.g., WCFs). Unless otherwise directed by the OMB, non-business type activities may elect not to recognize inter-entity costs, but personnel benefits and the U.S. Department of the Treasury (Treasury) Judgment Fund settlements must be recognized. DoD elected not to recognize imputed costs and corresponding financing, aside from the exceptions stated in this subparagraph.

**2.5.8.2.** WCFs or other business-like activities must impute costs. These imputed costs include depreciation expense, estimated depreciation expense for WCF-funded real property assets and improvements subsequently posted to the General Fund, and depreciation expense or other costs for assets not funded by the WCF. See the Office of the Deputy Chief Financial Officer Standard Financial Information Structure (SFIS) webpage for imputed costs journal entries (transaction code E402). The decision tree in Figure 24-1 "Imputed Asset Related Costs" illustrates what real property asset-related costs must be imputed and reported by a DoD Component for business-type activity (e.g., WCF). Accounting for imputed costs in the decision tree is applicable only to business-type activities (e.g., WCFs).

#### 2.5.9. Accounting for Real Property Outside of the U.S.

**2.5.9.1.** As used in this chapter, U.S. means the 50 States of the U.S., the District of Columbia, and the commonwealths, territories, and possessions of the U.S. DoD Components occupy and use real property facilities outside of the U.S. DoD's rights to real property outside of the U.S. are different from those within the U.S. For financial reporting purposes, a DoD Component that occupies and uses facilities outside of the U.S. must adhere to the following guidance:

**2.5.9.2.** DoD real property that is not located on a DoD installation (including property located on an installation of a host nation) is reported on the Host Installation financial statements identified on the OSD approved Enduring Location Master List (which is maintained and managed by the Office of the Under Secretary of Defense for Policy) when all of the following criteria are met:

2.5.9.2.1. An agreement exists between the U.S. and the host nation/foreign government (e.g., Cooperative Security Agreement, Bilateral Security Agreement, and Status of Forces Agreement) and the agreement conveys a right to construct and operate real property facilities;

2.5.9.2.2. The U.S. Government/DoD Component funded the asset's purchase and construction (see [SFIS webpage for journal entry with Transaction Code B402](#)). See subparagraph 2.5.3 when the real property acquisition is funded by a DoD Component other than a [Host Installation](#) having jurisdiction over the installation on which the real property resides.

2.5.9.2.3. The cost incurred is over the DoD Component's real property capitalization threshold (if the asset is partially funded by DoD, only the portion funded by DoD is evaluated against the capitalization threshold and recognized as an asset if applicable);

2.5.9.2.5. The asset has an estimated useful life of two years or more; and

2.5.9.2.5. The DoD Component is using the asset in its operations.

2.5.9.3. Such capitalized assets depreciate over their estimated useful lives. If asset use terminates earlier than the estimated useful life, the asset's remaining NBV is written off.

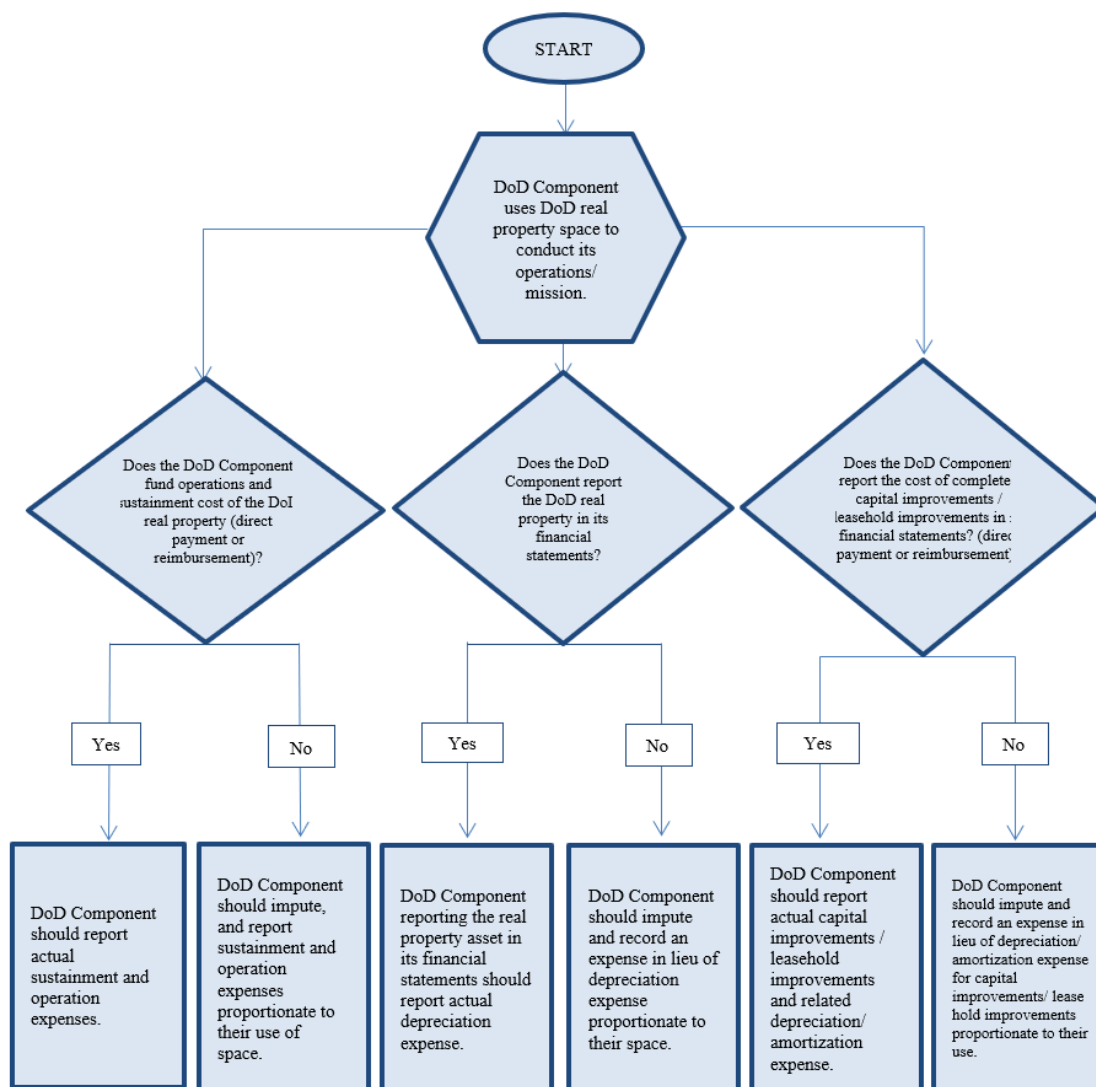
2.5.9.4. When a DoD Component occupies a facility, but the DoD did not fund its acquisition, the DoD Component recognizes such facilities on its financial statements as a lease if a specific agreement with the host nation/foreign government exists and addresses the use of the facility. See Chapter 26 for guidance on real property leases outside of the U.S.

2.5.9.5. SFFAS 4 "Managerial Cost Accounting Standards and Concepts" addresses imputed costs between federal agencies but does not extend to entities outside of the federal context. Therefore, a DoD Component does not record imputed costs for the use and/or occupancy of facilities, for which it does not pay directly or pay through reimbursement, but which are provided by international organizations (e.g., North Atlantic Treaty Organization) or the host nation/foreign government.

2.5.9.6. The [Host Installation](#) with jurisdiction over the installation outside of the U.S. must record all real property occupied and used by it in an APSR, regardless of interest type, in accordance with [10 U.S.C. § 2721](#), DoDI 4165.14, and subparagraphs 1.1.1.1 and 1.1.1.2. Assets that do not meet the criteria for capitalization are expensed in the period received.

2.5.9.7. The [Host Installation](#) with jurisdiction over the installation outside of the U.S. must record an expense for any maintenance and sustainment costs relating to the real property paid, or to be paid by them, in the period incurred, regardless of real property interest type.

Figure 24-1. Imputed Asset Related Costs



## \*2.6 Disclosure Requirements for Land and Permanent Land Rights

2.6.1. DoD Components must disclose, in the notes to their financial statements, referencing the Balance Sheet, the number of acres of General PP&E land and [permanent](#) land rights (where the types of land rights are conducive to measurement in acres) held as of the period of [their](#) first audited financial statement. This acreage amount must be reported separately from the DoD Component's Stewardship Land. There are no disclosure requirements for General PP&E land rights not measured in acres in establishing opening balances. [The disclosure requirements for land and permanent land rights in Table 24-1 must be presented in accordance with SFFAS 59. Existing disclosures must continue.](#)<sup>1</sup>

2.6.2. DoD Components must disclose the number of acres of General PP&E land and land rights measured in acres held at the beginning of each reporting period, the number of acres added during the period, the number of acres disposed of during the period, and the number of acres held at the end of each reporting period. [DoD Components' disclosure must include:](#)

2.6.2.1. [Land and land rights.](#) Reported as zero dollar value.

2.6.2.2. [Public domain land.](#) Land that was originally ceded to the United States by treaty, purchase, or conquest, in contrast to acquired lands, which have been purchased by, given to, exchanged with, or transferred through condemnation proceedings to the Federal government.

2.6.2.3. [Acres of land held for disposal or exchange.](#) Land where the entity has satisfied the specific statutory disposal authority requirements. Disposal includes conveyances of federal land to non-federal entities. Entities disposing of land often involve public participation, economic impact studies, surveys, and appraisals.

2.6.3. [Predominant use of land.](#) Predominant use is the major or primary current use of an asset during the reporting period and does not include incidental or infrequent uses of the asset.

2.6.3.1. Predominant use can change between reporting periods. An asset's predominant use must be consistent with the entity's authorizing legislation.

2.6.3.2. The level of aggregation of land and permanent land rights used to determine predominant use should be determined based on the entity's mission, types of land use, and how it manages the assets.

2.6.4. Categorize land and permanent land rights into one of the following categories based on predominant use.

2.6.4.1. [Commercial use land.](#) Land or land rights are used to generate inflows of resources. Examples include land used to generate revenue derived from concession

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<sup>1</sup>Existing disclosures are those which are in effect per SFFAS 6, 29, and 50 prior to the amendments contained in SFFAS 59.

arrangements, grants, land sales or land exchanges, permits for public or temporary use, and forest product sales.

2.6.4.2. Conservation and preservation of land. Land or land rights used for conservation or preservation purposes. Conservation protects and ensures proper use of natural resources. Preservation protects buildings, objects, and landscapes.

2.6.4.3. Operational land. Land or land rights used for general or administrative purposes. Examples include military functions for effectively pursuing war, scientific functions conducting and managing research, managing or regulating the use of nuclear energy, and other administrative or mission-related functions.

\*Table 24-1. SFFAS 59 Disclosure Requirements for Land and Permanent Land Rights

SFFAS 59 Disclosure Requirements for Land and Permanent Land Rights	
➤	A concise statement defining an entity's Federal land and explaining how land relates to the mission of the entity.
➤	A brief description of the entity's policies for land, including: <ul style="list-style-type: none"> <li>• Goals and principles that the entity established to guide its acquisition, maintenance, use, and disposal of land consistent with statutory requirements;</li> <li>• Prohibitions; and</li> <li>• Limitations governing the entity and the land.</li> </ul>
➤	Land and permanent land rights must be assigned to one of three sub-categories (i.e., commercial use land; conservation and preservation land; and operational land) based on predominant use. Land rights information must include a general description of the different types of rights acquired by the entity (e.g., whether such rights are permanent or temporary), and amounts paid during the year to maintain such rights. (See OMB Circular A-136 for additional Information).
➤	Report estimated number of acres at the beginning and the end of each reporting period for land and permanent land rights by sub-category.
➤	The estimated number of acres held for disposal or exchange and their predominant use (if applicable).

## 2.7 Capital Improvements

2.7.1. Capital improvements (including leasehold improvements) are reported by the DoD Component that reports the improved real property asset. Capital improvements under construction are reported in accordance with subparagraph 2.4.4.

2.7.2. The Funding DoD Component accumulates and reports the cost of a capitalized improvement until the improvement is placed in service. Once this asset is placed in service, it is debited to the entity responsible for reporting the real property base asset. The Funding DoD Component coordinates the delivery of the final DD Form 1354 and supporting documentation to the Host Installation and shares the DD Form 1354 and supporting documentation with the DoD Funding Components. Supporting documentation includes construction status, invoices, and other

relevant documents shared with the funding DoD Components to enable the funding DoD component to accumulate and report the cost of a capitalized improvement until the improvement is placed in service.

2.7.3. As stated in SFFAS 6, “costs which either extend the useful life of existing General PP&E, or enlarge or improve its capacity shall be capitalized and depreciated/ amortized over the remaining useful life of the associated General PP&E.” Capital improvements must be capitalized when:

2.7.3.1. The improvement increases the asset’s useful life by two or more years, or increases its capacity or size, and

2.7.3.2. The cost of the improvement equals or exceeds the capitalization threshold (see subparagraph 2.4.3.1).

2.7.3.3. Capital improvements not meeting these two criteria are expensed, and the item must be designated as an adjustment in the APSR.

#### 2.7.4. Capital Improvement Examples

2.7.4.1. Extends the useful life: Major restoration or reconstruction restores facilities damaged by a natural disaster or similar.

2.7.4.2. Increase capacity: The roof of a warehouse is raised to increase cubic feet.

2.7.4.3. Increase size: An addition, expansion, or extension built to the building, i.e., increases the footprint.

#### 2.7.5. Depreciation of Capitalized Improvements

2.7.5.1. Depreciate capitalized improvements that extend the asset’s useful life, but do not increase the asset’s capacity or size with the original asset over the revised estimated useful life.

2.7.5.2. Depreciate capitalized improvements that increase the asset’s capacity or size over the lesser of the useful life of the improvement or the remaining economic useful life of the asset. Note that the economic life of the real property asset may be different than the original estimated accounting useful life. The economic life is the remaining period of utility for the real property.

2.7.5.3. Depreciation is described in paragraph 2.7.

2.7.6. Capitalize improvements to multiple real property assets constructed under a single project or work order if the allocated cost per real property asset equals or exceeds the capitalization threshold per asset. When multiple improvements are made to a single real property asset, increasing the real property’s capacity, size, and/or useful life, the total improvements must



be capitalized if the summed costs equal or exceed the capitalization threshold. [Different funding sources must be summed to determine capitalization](#). The summed improvements costs must be capitalized and depreciated upon being placed in service as described in paragraph 2.7.

2.7.7. Maintenance and repair costs are not considered capital improvements, regardless of the capitalization threshold. Per SFFAS 42, maintenance and repairs are activities [that](#) keep fixed assets in an acceptable condition. Maintenance and repair activities include preventative maintenance; parts, systems, or components replacement; cyclic work done to prevent damage (e.g., painting); and other activities [preserving](#) or [maintaining](#) assets. A roof or a heating and air conditioning system that is replaced due to failure must be classified as a repair and must be expensed, even if the replacement incorporates a better quality and longer life shingle or a more efficient heating and air conditioning unit.

2.7.8. Intent determines whether a replacement must be recognized as a repair or an improvement. Replacement of parts, systems, or components that have failed, are in the incipient stages of failing, or are no longer functional, [is](#) classified as a repair and must be expensed. If the replacement was undertaken to expand the capacity or extend the life of a real property asset that was in good working order, then the replacement must be recognized as an improvement. Rebuilding [the](#) entire [asset](#) within the same physical area (footprint) is [an improvement](#).

2.7.9. [Increased](#) capacity [means](#) an increased footprint, or internal structural reconfiguration that increases the amount of usable space, number of personnel, or increased throughput. Increased capacity includes activities that upgrade the asset to serve needs different from, or significantly greater than its current use.

2.7.10. For constructed capital [improvements](#), the cost [must](#) be accumulated and reported by the Funding DoD Component in a CIP account until the improvement is placed in service. When placed in service, the improvement [is debited](#) to the entity responsible for reporting the real property base asset. See subparagraph 2.5.5 for intra-DoD transfers. Only [Host Installations](#) with jurisdiction over a specific installation have financial reporting responsibility for real property and completed capital improvements.

## 2.8 Depreciation

2.8.1. The recorded cost of real property and capital improvements must be depreciated over the shorter of (i) the period benefited, or (ii) the asset's useful life. Depreciation is the systematic and rational allocation of the recorded cost [less its estimated salvage/residual value](#) of an asset over its estimated useful life.

2.8.2. [Capitalized](#) amounts, as well as associated amounts of accumulated depreciation and depreciation expense, must be reflected in DoD financial statements. [Recognize depreciation expense for all capitalized general PP&E](#). Estimates of useful life for real property assets must consider factors such as usage, physical wear and tear, and technological change. [To](#) compute depreciation on DoD real property assets, specific useful lives are prescribed. Table 24-2 reflects the useful lives to be used for DoD real property.

2.8.3. The [PISD](#) triggers the depreciation calculation (regardless of whether it is used). Depreciation is generally based on the Month Available for Service method. The month the asset was available for use is used to calculate depreciation expense for the first year.

2.8.4. DoD policy permits only the use of the straight-line method of depreciation for real property assets. Straight-line depreciation expense is calculated as the recorded cost divided by the asset's useful life based on the useful lives in Table 24-2.

2.8.5. If an asset remains in use longer than its estimated useful life, it must be retained in the APSR, as well as the accounting records, and reflect both its recorded cost and accumulated depreciation until disposition of the asset.

2.8.6. WCF activities [must](#) depreciate real property assets in accordance with this chapter guidance, whether such assets are procured through the WCF activity's Capital Purchase/Investment Program budget or depreciation is included in rates charged to customers. The WCF activities may recognize and [depreciate assets differently](#) for financial statement reporting purposes than for WCF rate development and budget presentation. All WCF real property depreciation must be expensed on the Statement of Net Cost, included in accumulated depreciation amounts on the Balance Sheet, and reported in the "Defense Working Capital Fund Accounting Report (Monthly) 1307 (AR(M)1307)." Depreciation recorded on real property that was [neither](#) acquired [nor](#) replaced through the use of Defense WCF resources must be classified as non-recoverable for rate-setting purposes and reported on the AR(M)1307. Defense WCF rates charged to customers are based on guidance in [Volume 2B](#), "Budget Formulation and Presentation," and [Volume 11B](#), "Reimbursable Operations Policy – Working Capital Funds."

2.8.7. Annex 1 Scenarios I and II illustrate the depreciation methodology for capital improvements and the underlying real property asset.

Table 24-2. DoD Useful Lives for Depreciable Real Property Assets

Real Property Classification	Real Property Useful Lives	Capital Improvements (if useful life is not provided by an engineering estimate) <sup>2</sup>
Buildings	45 years	20 years
Structures	35 years	15 years
Linear Structures	40 years	20 years
Land Rights of a Limited Duration <sup>1</sup>	Over the specified duration	-
<ol style="list-style-type: none"> <li><a href="#">Permanent</a> Land Rights are included on the balance sheet in General PP&amp;E only if the DoD Component did not make the election to implement the provisions of SFFAS 50, Paragraph 13 to exclude land rights from the opening balance of General PP&amp;E and <a href="#">to</a> expense future land rights acquisitions after the establishment of the opening balance.</li> <li>Engineering estimates are of particular importance when evaluating full restoration or conversion.</li> </ol>		

## 2.9 Impairment

2.9.1. Description. SFFAS 44 defines impairment as a significant and permanent decline in the service utility of General PP&E or the expected service utility of CIP resulting from events or changes in circumstances that are not considered normal and ordinary.

2.9.1.1. Expected service utility is the usable capacity that was expected to provide service. The usable capacity may be less than its original usable capacity due to expected decline in useful life or impairing events, such as physical damage, obsolescence, enactment of laws or regulations, changes in environmental or economic factors, or changes in the manner or duration of use.

2.9.1.2. Normal and ordinary events fall within the expected useful real property life such as standard maintenance and repair requirements. Events or circumstances that are not considered normal and ordinary are unexpected during the real property's useful life or, if expected, are not sufficiently predictable to estimate the useful life.

2.9.2. Identification of Potential Impairment Loss. The following two-step process determines whether real property remaining in use is impaired: (1) identifying potential impairment indicators and (2) testing for impairment. Identified real property must be tested for impairment.

2.9.2.1. Step 1 – DoD Components must evaluate existing processes and internal controls to determine if they are sufficient to identify potential impairment indicators and implement appropriate additional processes and internal controls if necessary. Potential impairment can be identified in a variety of ways, such as procedures related to DM&R. Once identified, DoD Components must consider the surrounding circumstances to determine whether a test of potential impairment is necessary. Common indicators of potential impairment include:

2.9.2.1.1. Evidence of physical damage;

2.9.2.1.2. Enactment of laws or regulations limiting the asset usage;

2.9.2.1.3. Changes in environmental factors (e.g., change in floodplain);

2.9.2.1.4. Technological changes or evidence of obsolescence;

2.9.2.1.5. Changes in the manner or duration of use of real property;

2.9.2.1.6. Construction stoppage or contract termination; and

2.9.2.1.7. Real property idled or unserviceable for long periods.

2.9.2.2. Step 2 – Impairment Test. Identified real property must be tested to determine whether the decline in service utility is: (1) significant and (2) permanent. For CIP, the testing of impairment must be performed over the period of expected future service utility.

2.9.2.2.1. **Determine** impairment significance **with** professional judgement. Judgements may be based on the relative costs of maintaining the facility before and after the decline, or other considerations. Significant declines in service utility cause operational and maintenance costs to be disproportionate to expected service utility.

2.9.2.2.2. Decline in service utility is **considered** permanent when the DoD Component **does not** expect the lost service utility **to** be restored. In contrast, a reasonable expectation that the lost service utility will be restored may exist when the DoD Component has:

2.9.2.2.2.1. Specific plans to restore the lost service utility,

2.9.2.2.2.2. Committed funding for remediation efforts, or

2.9.2.2.2.3. Remediated lost service utility in similar real property.

2.9.3. Determining the Appropriate Measurement Approach. **To determine** impairment losses on real property that will continue to be used, estimate the portion of NBV associated with the diminished service utility of the real property. A measurement method resulting in an unreasonable NBV is not appropriate. Conversely, a reasonable measurement method may result in no impairment loss **being** recorded. Recognition of impairment loss **must** be limited to the asset's NBV at the time of impairment. Widely recognized methods for measuring impairment **are identified in SFFAS 44, paragraph 18.**

2.9.4. Recognizing and Reporting Impairment Losses. The impairment loss **must** be recognized and reported in the Statement of Net Cost **when** the **Host Installation** concludes that the impairment is both (1) a significant decline in service utility and (2) expected to be permanent. Such losses may be included in program costs or costs not assigned to programs. A general description of the real property, the nature (e.g., damage or obsolescence), amount, and the financial statement classification must be disclosed in the financial statement notes.

2.9.5. Recoveries. The impairment loss must be reported net of any associated recovery when the recovery and loss occur in the same fiscal year. Recoveries reported in subsequent fiscal years must be reported as revenue or other financing source. The amount and financial statement classification **must** be disclosed in the financial statements' notes.

2.9.6. Remediating Previously Reported Impairments. The costs incurred to restore the lost service utility of impaired real property remaining in use must be recognized according to the nature of the costs incurred and the appropriate capitalization threshold.

2.9.7. Diminished Service Utility Without Recognized Impairment Loss. If the future service utility has been adversely affected but the impairment test determines that a loss does not need to be recognized, a change such as estimated useful life and salvage value **must** be considered.

## 2.10 Removal/Disposal

2.10.1. FASAB TR 14 defines removal from service as terminating real property asset use. Removal from service may occur because of the factors in paragraph 2.8.2.1 or identification as in excess of mission needs. Permanent removals occur when (1) the asset's use is terminated and (2) there is documented evidence of the DoD Component's decision to permanently remove the asset from service. If only one business event has occurred, the removal is other than permanent.

2.10.2. If the asset no longer provides service in the operations of the entity but the DoD Component has not permanently removed the asset from service, it must be accounted for as other than permanent. Other than permanent removal is evidenced by continuing low-level maintenance. These assets' value does not change and must continue to be depreciated.

2.10.3. Assets permanently removed from service are no longer depreciated. The DoD Component's documented decision to dispose of an asset is permanent removal. The recorded cost and the accumulated depreciation/amortization must be removed from the accounts, and the asset must be recorded at its Net Realizable Value (NRV) (see SFIS webpage Transaction Code C613). NRV is the estimated amount that can be recovered from selling, or any other method of disposing of an item, less estimated costs of completion, holding, and disposal. Any difference between the NBV and its expected NRV must be recognized as a gain or loss. The expected NRV must be evaluated at the end of each fiscal year, and any change in NRV must be recognized as a gain or loss.

2.10.4. When an asset is sold, donated, or demolished, the asset must be written off and the difference between disposal proceeds and the asset's NBV must be recognized as a gain or loss. The legally enforceable disposal obligation date is the disposal date. It is the demolition contract's start date. For transfers to a non-DoD entity and sales, it is instrument endorsement, or operation end date, whichever comes later. For natural disasters, it is the complete loss date.

## 3.0 ADDITIONAL CONSIDERATIONS

### 3.1 Use of Cancelled Treasury Account Symbol

3.1.1. DoD Components report their trial balance data to Treasury through the Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS). Capitalized assets must be reported and remain in GTAS after the original purchase. If a capitalized asset has not been moved to a cancelled ("C") TAS as described in subparagraph 3.1.2, GTAS provides a "C" TAS on the GTAS Super Master Account File for each fund family. The system-generated "C" TAS has three components: the three-digit agency identifier, availability type "C", and a four-digit main account.

3.1.2. All DoD Components must use the "C" availability type TAS to report capitalized assets. Assets may be moved to a "C" TAS at any time from the purchase date to the date the original purchasing fund cancels. (Refer to the TFM Volume 1, Part 2, Chapter 4700 for additional information).

3.1.3. To financially transfer an asset to a “C” TAS:

3.1.3.1. Use USSGL account transaction E510 to financially transfer out the asset from the purchasing fund account.

3.1.3.2. Use USSGL account transaction E606 to financially transfer the asset into the appropriate “C” TAS.

## 3.2 Supporting Documentation

3.2.1. Entries to record financial transactions in the accounting system, general ledger accounts, and the accountable property records and/or systems must:

3.2.1.1. Include source documents reflecting all investment transactions.

3.2.1.2. Document the asset PISD. All real property acquisitions, whether by purchase, transfer from other agencies, donation, or other means, must be supported as of the date the DoD Component takes custody of the real property. Table 24-3 provides a list of documents that can be used to support the changes in asset value or physical attributes as a result of a new acquisition or capital improvement.

3.2.1.3. Include the financial reporting and trading partner information listed in subparagraph 2.2.2.8.2 and other relevant information. If this information is not available, the receiving and transferring entities must develop and document an estimate to support the financial transfer of the asset. See Volume 12, Chapter 14, and DoDI 4165.72 for further policy on transfers of DoD real property between Host Installations.

3.2.1.4. Support the disposal date to provide an adequate audit trail. Disposal events generating financial or administrative accountability transactions must be readily available to support disposals:

3.2.1.4.1. Declaration of excess document;

3.2.1.4.2. Disposal approval documentation;

3.2.1.4.3. Original acquisition documents;

3.2.1.4.4. Deed or contracts indicating the obligation to dispose of an asset;

3.2.1.4.5. Document showing the disposal completion date;

3.2.1.4.6. Receipt documentation; and

3.2.1.4.7. Transfer documents for the transferred.

3.2.1.5. Be retained in accordance with the National Archives and Records Administration requirements described in [Volume 1, Chapter 9, “Financial Records Retention.”](#) Original documents and/or hard and electronic copies of original documentation must be maintained in a readily available location during the retention period. These documents must permit validation of the purchase cost, purchase date, cost of improvements, and RPUID(s). Supporting documentation is not limited to the documentation as outlined in this subparagraph.

3.2.2. Include sufficient information indicating the physical size, location, and unit cost of each real property asset. The APSR and/or other systems must be designed for maximum assistance in making procurement and utilization decisions. Decisions identifying potential excess real property available for reuse, transfer, or disposal must be supported.

3.2.3. Enable periodic, independent verification of the accounting, APSR, and/or other systems’ accuracy through periodic inventories. Real property “book to floor and floor to book” existence and completeness must be confirmed. Such inventories must reconcile the APSR and/or other systems with the general ledger accounts. Personal hand receipt self-validations are not acceptable for meeting the independent verification requirements (see DoDI 4165.14).

3.2.4. Identify and classify real property that was capitalized, recorded in the APSR and accounting system, and reported in the financial statements.

3.2.4.1. The [Host Installation](#) having jurisdiction over the real property, in accordance with DoDD 4165.06 and DoDI 4165.70, [must](#) record assets in their APSR.

3.2.4.2. The [Host Installation](#) must reconcile [its](#) real property APSR to [its](#) financial statements (or to their trial balance if financial statements are not required) quarterly.

3.2.4.3. All Funding DoD Component CIP must reconcile recorded CIP balances on a quarterly basis with service providers [building the assets](#). CIP [must](#) reflect the actual progress payments and other costs incurred based on work completed as of the quarter end.

3.2.5. [Ensure that asset information is](#) based on the same documents, so that the financial accounting/reporting and APSR are the same. The APSR must be integrated and subsidiary to the financial accounting system, and such records must be reconciled with the accounting system.

3.2.6. Include documents accumulating the cost and linking to the appropriate RPUID(s).

3.2.7. Include all real property in which the DoD has a legal interest.

3.2.8. Provide information to identify and account for leased real property.

3.2.9. Provide information to identify and account for capitalized improvements.



Table 24-3. Examples of Supporting Documentation for Real Property Acquisition  
(Note: These examples may not be all-inclusive for all circumstances)

Evidence	Examples
<b>Unique Identification</b>	Assignment of RPUID
<b>Project Approval</b>	Such as, but not limited to a Work Order
<b>Obligation on Behalf of the Government</b>	Such as, but not limited to: <ol style="list-style-type: none"> <li>For contracts, contract modifications, or change orders: <ul style="list-style-type: none"> <li>Statement of Work;</li> <li>Dollar Amount of Contract;</li> <li>Location;</li> <li>Source of Funds;</li> <li>Parties to the Contract; and</li> <li>Signature Page [Signature of All Parties].</li> </ul> </li> <li>Documentation of troop labor hours;</li> <li>Approved Work Order.</li> </ol>
<b>Payment Submitted</b>	Such as, but not limited to: <ol style="list-style-type: none"> <li>Approved last invoice reflecting the total amount submitted for payment and received to date;</li> <li>Evidence of in-house construction costs, including labor;</li> <li>Indirect Costs incurred internally by the gaining activity.</li> <li><a href="#">Recurring monthly invoices received by the DoD Construction Agent (DCA)/Public Works or service providers building the assets on behalf of the Funding DoD Component.</a></li> </ol>
<b>Acceptance</b>	Such as, but not limited to: <ol style="list-style-type: none"> <li><a href="#">General Services Administration Form 1334</a>, Request for Transfer of Excess Real and Related Personal Property;</li> <li>Interim and final DD Form 1354, Transfer and Acceptance of DoD Real Property, with associated source documentation retained by the responsible party. Note: All cost information transferred from the CIP account to the real property asset account <a href="#">when</a> the asset is placed-in-service must be included with the DD Form 1354;</li> <li>Executed acquisition document and donated asset appraisals;</li> <li>Signed judgment documents for condemnations;</li> <li>Deed;</li> <li>Signed lease for leased property;</li> <li>Letter of withdrawal for property withdrawn from public domain;</li> <li>Executed occupancy agreement;</li> <li>Executed reversionary document;</li> <li>Transfer letter and documents for transferred assets; and</li> <li>Collection voucher.</li> <li>Beneficial Occupancy Date (BOD)</li> </ol>
<b>Project Closeout</b>	A final DD Form 1354, with associated source documentation retained by the responsible party.

DCA/Public Works or service providers, building the assets on behalf of the Funding DoD Component, must share key supporting documents with the Funding DoD Component. Table 24-3 provides examples of key supporting documentation. Effective 01 Oct 2022, key supporting documents, such as DD 1354s, property improvement worksheets, photos, and other primary real property, should be uploaded to the APSR or another repository approved in DA PAM 25-403.



### \*3.3 Physical Inventories of Real Property

3.3.1. The MILDEPs and WHS must reconcile, at least annually, their real property inventory records with all other DoD Components that occupy, operate, or maintain facilities or land for which the MILDEPs or WHS have real property accountability. This reconciliation ensures both parties maintain accurate records of the asset's use, location, and basic characteristics. The final review ensures all assets are accurately reported in the host installation APSR.

3.3.2. DoD Components must perform an inspection of each RPA record, including a physical inspection of each RPA, is required every 5 years; however, RPAs designated with historic status must be reviewed and physically inspected every 3 years and reported in accordance with DoDI 4715.16. Assets identified with RPA Historic Status Code - "Eligible for the purposes of a Program Alternative – ELPA" are not required to be inspected every 3 years, and may be inspected on the regular every 5-year schedule in accordance with DoDI 4165.14.

### 3.4 Deferred Maintenance & Repairs (DM&R)

3.4.1. FASAB SFFAS 42 defines DM&R as maintenance and repairs that were not performed when scheduled, and which are delayed to a future period. DM&R includes preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset in working condition.

#### 3.4.2. Measurement

3.4.2.1. The values reported for DM&R must be consistent with the Facility Condition Index ratings and Facility Plant Replacement Values.

3.4.2.2. DoD Components **must** determine acceptable condition standards and which DM&R measurement methods to apply. Condition standards and measurement methods must be consistently applied. If the DoD Components determine that changes are necessary, they **must** document the change(s) rationale, the related DM&R estimate impact.

3.4.2.3. DM&R must be measured for capitalized, non-capitalized, and fully depreciated real property. DM&R **for** inactive real property **must** be included when the asset is reported with an operational status of caretaker (CARE) or non-functional (NONF). DM&R must measure funded **and unfunded** maintenance and repairs delayed. The data **must** not include DM&R funded with NAFs' commissary surcharge, or from non-DoD sources.

#### 3.4.3. Required Supplemental Information

The **Host Installation** reporting real property must report DM&R material amounts as RSI. See **Volume 6B, Chapter 12**, "Required Supplementary Information," paragraph 2.3 for required RSI reporting.

### 3.5 Financial Statement Disclosure Reporting and Representation Requirements

3.5.1. DoD Components reporting real property **must** reference the Balance Sheet note disclosing information about the reported real property assets.

3.5.2. The management representation letter provided to the IPA (for audited DoD Components), and the financial statements notes must fully and completely disclose how reported real property complies with this chapter's policies. See note disclosure examples in Annex 3.

3.5.3. DoD Components must disclose in the financial statement notes when a host nation/foreign government provides real property without reimbursement, and that the financial statements do not contain amounts for these properties. The agreement's general nature **must be disclosed**. The host nation/foreign government's geographic location **must not** be disclosed.

3.5.4. In accordance with SFFAS 55, DoD Components must disclose in the financial statement notes that inter-entity (imputed) costs are recognized for business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgment Fund. Other federal entities provide these goods and services at no cost or at a cost less than the full cost, as applicable. Unreimbursed costs of goods and services other than those identified in the preceding sentence are not included in DoD financial statements.

3.5.5. Refer to [Volume 6B, Chapter 10](#), "Notes to the Financial Statements" for additional disclosure reporting requirements.

### 3.6 Environmental Liabilities/Cleanup Costs

The accounting policy for real property environmental liabilities/cleanup costs is contained in [Chapter 13](#), "Environmental Disposal Liabilities."

Annex 1. Capital Improvement Depreciation [Scenarios](#)

Scenario I. Capital Improvement Extends the Useful Life of Existing General PP&E

In this scenario, the estimated extension of the useful life is combined with the remaining original asset useful life to establish a revised useful life. The revised useful life is used to depreciate the combined NBV of the original asset plus the improvement.

In this scenario, the conversion of a warehouse to office space, the capital improvement is placed in service at the beginning of the 26th year of the useful life of the original asset.

Scenario I	Value
Original Building Acquisition Cost	\$450,000
Original Estimated Useful Life in years (yrs.) <sup>1</sup>	45
Annual Depreciation Expense (using straight-line depreciation) (\$450,000 ÷ 45)	\$10,000
Accumulated Depreciation at the end of year 25 (25 yrs. X \$10,000 per year)	\$250,000
NBV of original asset at the end of year 25 (\$450,000 - \$250,000)	\$200,000
Capital Improvement – added at the beginning of year 26 of original building's useful life	\$280,000
Extension of useful life (yrs.) of existing building from capital improvement based on documented Engineering Estimate <sup>2</sup>	30
Revised remaining useful life for building with the capital improvement. (45 yrs. (original useful life) less 25 yrs. (expired useful life) plus 30 yrs. (capital improvement useful life)	50
Revised depreciable value of building, including capital improvement. (\$200,000 (original NBV) plus \$280,000 (capital improvement))	\$480,000
Revised annual depreciation for the building and capital improvement (\$480,000 ÷ 50 yrs.)	\$9,600
<sup>1</sup> From Table 24-2	
<sup>2</sup> If an Engineering Estimate for the extended useful life of the capital improvement were not available; the 20-year useful life from Table 24-2 would be used.	

Scenario II. Capital Improvement Increases the General PP&E Asset's Capacity, Size, or Modifies the Functionality/Use but Does Not Extend the Life of the Original General PP&E Asset

In this type of scenario, the capital improvement is depreciated over the lesser of the useful life of the improvement or the remaining useful life of the underlying General PP&E asset.

The capital improvement is placed in service at the beginning of the 16th year in the useful life of the original base asset. The remaining economic useful life of the original base asset is 25 years at the date the capital improvement is placed in service.

Scenario II	Value
Original Linear Structure Acquisition Cost	\$500,000
Original Estimated Useful Life (yrs.) <sup>1</sup>	40
Annual Depreciation Expense (using straight-line depreciation) (\$500,000 ÷ 40)	\$12,500
Accumulated Depreciation at the end of year 15 (15 yrs. X \$12,500 per year)	\$187,500
NBV of original asset at the end of year 15 (\$500,000 - \$187,500)	\$312,500
Capital Improvement – added at the beginning of year 16 of original linear structure useful life	\$270,000
Useful life of capital improvement (yrs.) <sup>2</sup>	20
Annual Depreciation Expense (using straight-line depreciation) (\$270,000 ÷ 20)	\$13,500
Depreciation for the original value of linear structure would continue on an annual basis for the next 25 years. ((40 yrs. (original useful life) - 15 yrs. (expired useful life))	\$12,500 annual depreciation
Depreciation for the capital improvement would be recorded over the estimated 20-year useful life of the improvement	\$13,500 annual depreciation
<sup>1</sup> From Table 24-2 <sup>2</sup> If an Engineering Estimate were available for the useful life of the capital improvement were available, the Engineering Estimate would be used rather than the amount from Table 24-2	

## Annex 2. Plant Replacement Value (PRV) Methodology

### A2.0 PRV

PRV is based on cost factors such as averages of historical contractual cost data, commercially available cost data, and models using general price information. PRV includes capital improvements and is calculated using existing asset size, but does not consider the Placed in Service Date (PISD) or remaining useful life.

#### A2.1 Benefits of PRV

Key benefits of DoD's PRV model include:

A2.1.1. Cost and time effectiveness: The PRV model values **must** be updated annually for all assets;

A2.1.2. DoD Components validated many of the key data elements during existence and completeness procedures;

A2.1.3. Consistency: The PRV model is a common approach for **the** DoD to establish and support its opening balances.

A2.1.4. Documentation must support the data element inputs for PRV model calculations.

#### A2.2 PRV Responsibilities

The DoD Components and the OSD **must perform specific actions to successfully use PRV**. The Office of the Under Secretary of Defense (Comptroller) Financial Improvement and Audit Remediation Directorate, and the Office of the Assistant Secretary of Defense (Sustainment) **complete OSD actions**.

A2.2.1 DoD Components **must ensure**:

A2.2.1.1 **The following** key PRV data element inputs are accurate:

A2.2.1.1.1. Real Property Site Unique Identifier (RPSUID);

A2.2.1.1.2. RPUID;

A2.2.1.1.3. Real Property Asset (RPA) Interest Type;

A2.2.1.1.4. Asset Allocation Current Use **or Asset Configuration Design Use Category Code**;

A2.2.1.1.5. Asset Allocation Current Use **or Asset Configuration Facility Analysis Category (FAC) Code**;

A2.2.1.1.6. Asset Allocation or Asset Configuration Size Quantity;

A2.2.1.1.7. Asset Allocation or Asset Configuration Unit of Measure Code; and

A2.2.1.1.8. RPA Historic Status Code.

A2.2.1.2. The following specific data elements used to apply and report the PRV values are accurate:

A2.2.1.2.1. RPA PISD. This data element is important for depreciation purposes.

A2.2.1.2.2. Government Investment Percentage (For Government / Private Agreement (GVPV) interest type only). The Government's investment percentage of an asset's total value is required to allocate DoD's portion of the total PRV.

A2.2.1.3. Documentation exists and is readily available to support the Asset Allocation, Size, Quantity, RPA Historic Status Code, RPA PISD, and Government Investment Percentage (for GVPV interest types).

A2.2.1.4. Processes, controls, and systems are in place to value newly acquired assets at actual cost in accordance with SFFAS 6.

A2.2.1.5. Valuation calculations are performed correctly using the PRV formula, appropriate cost factors, and adjustments found in the Unified Facilities Criteria 3-701-01 (UFC 3-701-01), "DoD Facilities Pricing Guide."

A2.2.1.6. Accounting adjustments are performed accurately and timely manner, are supported with sufficient documentation, and are reflected in the DoD Component's APSR, general ledger, and financial statements.

A2.2.2. OSD must ensure that:

A2.2.2.1. The PRV model is supportable for audit purposes. OSD evaluates the processes, procedures, systems, and controls that produce the PRV tables, factors, indexes, and functions, and reviews the model outputs for overall reasonableness; and

A2.2.2.2. DoD estimated useful lives for depreciation purposes are supportable.

### A2.3 Steps to Establish Deemed Cost Using PRV

A2.3.1. DoD Components develop opening balances using the PRV approach. In summary, DoD Components:

A2.3.2. Validates all assets used to calculate and apply PRV values;

A2.3.3. Calculates each asset's PRV as found in SFFAS 50. Capital improvements are included within the PRV calculation. It is acceptable to use PRV for decision-making and management purposes, allowing PRV to be used as a starting point in establishing the replacement cost for real property. Each DoD Component's management must formally document the review and acceptance of the resulting values;

A2.3.4. Multiplies DoD's interest percentage by the asset's total PRV to calculate the reported value for assets with a GVPV interest type. DoD's portion of the PRV equal to or more than the capitalization threshold is reported;

A2.3.5. Identifies all DoD accountable General PP&E (commonly known as FEE assets) with a PRV equal to or more than the capitalization threshold. These assets are capitalized assets and reported on the DoD Component's Balance Sheet. The current real property capitalization threshold is applied to all existing real property assets; and

A2.3.6. Adjusts, as appropriate, the DoD Component's or WHS's APSR, general ledger, and financial statements upon establishing the beginning balance. Maintain supporting documentation.

#### A2.4 Determining Placed-in-Service Date

A2.4.1. The Real Property Information Model (RPIM) defines RPA PISD as "the calendar date the real property asset (or a portion of the real property asset) is available and accepted for use by DoD. On this date, warranties begin, and the Government assumes liability for the asset and the DoD receives legal interest." The UFC 1-300-08, "Criteria for Transfer and Acceptance of DoD Real Property," notes this as the date the DCA and other approving parties attending the inspection have agreed the construction is acceptable, and the DCA accepts the construction from a contractor on behalf of the government using contract procedures.

A2.4.2. Table A2-1 describes sufficient supporting documentation for auditors to validate the accuracy of recorded PISDs.

Table A2-1: Placed-in-Service Date Documentation

Acquisition Method	Source Document	Acceptance Date	Effective Date	Acquisition Date <sup>1</sup>	RPA PISD <sup>2</sup> (Depreciation Triggering Event)
New construction	DD Form 1354	Executed interim DD Form 1354 transaction	Date specified in DD Form 1354 transaction	Date first interim DD Form 1354 <sup>3</sup> transaction is executed	Date interim DD Form 1354 transaction is executed
Purchase <sup>4</sup> (can include Exchange)	Deed	Deed or executed interim DD Form 1354 <sup>5</sup> transaction	Date of delivery/Recordation	Date of delivery/recordation	Acquisition Date
Lease/Grant	Lease/Grant	Signed lease/grant	Grant Start Date	Date lease signed	Grant start date (Not applicable for depreciation)
Transfer between Services	DD Form 1354	Executed interim DD Form 1354 transaction	Date specified in transaction	Date of original transaction when United States Government acquired title, or legal interest in the asset (Acquisition Date for the transferring Service)	Original DoD RPA Placed-in-service Date as shown by the transferring Service
Inventory Adjustment	Tier documentation noted in Table A2-3	Executed interim DD Form 1354 transaction	Date based on Tier documentation noted in Table A2-3	Date based on Tier documentation noted in Table A2-3	Date based on Tier documentation noted in Table A2-3
Transfer from one federal Component to another	Transfer letter, SF 1334	Executed interim DD Form 1354 transaction	Date specified in document	Date the United States Government acquired title or legal interest in the asset	Acquisition Date
Condemnation	Judgment document	Executed interim DD Form 1354 transaction/ Signed Judgment	Declaration of Taking is accepted by a court	Declaration of Taking is accepted by a court	Acquisition Date



Table A2-1: Placed-in-Service Date Documentation (continued)

Acquisition Method	Source Document	Acceptance Date	Effective Date	Acquisition Date <sup>1</sup>	RPA PISD Date <sup>2</sup> (Depreciation Triggering Event)
Reversion	Reversion legal document	Executed interim DD Form 1354 transaction	Date of executed reversionary document	Date of executed reversionary document	Date of executed reversionary document
Gifts and donations	Executed acquisition document	Deed delivery/ recordation	Date of acquisition document	Date of acquisition document	Acquisition Date
<sup>1</sup> Acquisition Date is a RPIM data element to be populated upon first acceptance by the United States Government. For RPA PISD, the term Acquisition Date equals the entry in the column titled Acquisition Date.					
<sup>2</sup> The date reflected in box 7a on the DD Form 1354.					
<sup>3</sup> Changed from final DD Form 1354 to interim DD Form 1354.					
<sup>4</sup> Purchase acquisition method is associated with both the land purchase and land purchase with facilities and exchange acquisition scenarios.					
<sup>5</sup> This method of acquisition is being added to the UFC 1-300-08 as requiring a completed interim DD Form 1354 at acceptance.					

A2.4.3. In the absence of information noted in Table A2-1, the guidance in Table A2-2 must be used.

Table A2-2. Placed-in-Service Date Determination with Authoritative Guidance

Governing Document Reference	PISD Determination
FASAB - SFFAS 6, Paragraph 34	“PP&E shall be recognized when title passes to the acquiring entity or when the PP&E is delivered to the entity or an agent of the entity.”
FASAB - SFFAS 6, Paragraph 40 and SFFAS 50, Paragraph 13	“In some cases, the in-service date must be estimated. In estimating the year that the base unit was placed in service, if only a range of years can be identified, then the midpoint of the range is an acceptable estimate of the in-service date.” “It is not necessary to separately identify the in-service date for material improvements included in the opening balances of a base unit. All improvements included in the opening balances at deemed cost may be treated as if they were placed-in-service at the date the base unit was placed-in-service.”
Chapter 24, Paragraph 2.7	“The event that triggers the calculation of depreciation is the date the real property asset is placed in service (regardless of whether it is actually used).”
Defense Finance and Accounting Service 7900.4-M, Financial Management Systems Requirements Manual Volume 3, Property, Plant and Equipment, page 41, August 2014	“Property, Plant and Equipment (PP&E) shall be recognized when title passes to the acquiring entity or when the PP&E is delivered to the entity or to an agent of the entity. In the case of constructed Property, PP&E, the PP&E shall be recorded as construction work in process until it is placed in service, at which time the balance shall be debited to general PP&E in the system.”

A2.4.4. DoD Components and WHS must review the real property asset documentation for existence and adequacy to support the placed-in-service information. The following questions must be answered:

A2.4.4.1. Does sufficient documentation exist?

A2.4.4.2. Does alternative documentation need to be used?

A2.4.4.3. Is the PISD clearly identified and marked on supporting documents?

A2.4.4.4. Are all required authorized signatures noted on documentation?

A2.4.5. Documentation supporting the PISD is vital to the completeness of both functional and financial records. GAAP allows for alternative placed-in-service methodologies where adequate historical documentation does not exist. Estimates of cost and PISD must be fully supported, and information retained in accordance with National Archives and Records Administration requirements described in Volume 1, Chapter 9. Table A2-3 lists examples of supporting documentation for PISD in descending order of preference.

## A2.5 Adjustment for Inflation

When using PRV to establish deemed cost, components must deflate values to the time of construction by the general price index.

Table A2-3. Placed In Service Examples of Supporting Documentation

Documentation for PISD	Description	Tier
Source Documentation (noted in Table A2-1)	Noted in the second column of Table A2-1.	1
Tax Assessor Records	If adequate historical PISD is not available, search the county tax assessor's website for the asset and the purchase date to determine a reasonable estimate for PISD.	1
Dedication Plaque	If adequate historical PISD is not available, a search of the asset <b>must</b> be conducted for a dedication plaque. Once the dedication plaque has been found, ensure that it references the DoD as <b>the</b> owner. If DoD is listed as <b>the</b> owner, obtain a photograph of the dedication plaque with an inscription indicating the dedication date. If DoD is not listed on the plaque, the date <b>must</b> not be used as an alternative for PISD.	2
Cornerstone	If adequate historical PISD is not available, search the asset for a cornerstone. If the cornerstone is found, obtain a photograph of the cornerstone. The cornerstone <b>must</b> be located on the outside of the building or structure with an inscription on the stone indicating the construction date. This date would be used for the PISD.	2
Earliest Site Plot of Asset	If adequate historical PISD is not available, search online in the <b>DOD COMPONENT</b> or <b>WHS</b> database for the earliest site plot or asset drawing available. <b>This date</b> may be used as a reasonable alternative for PISD.	2
Earliest Maintenance Record of Asset or Engineering Estimates (e.g., Engineering Form 3013)	If adequate historical PISD is not available, search for work order or maintenance records from <b>the</b> Department of Public Works or <b>RPAO</b> , or local program office. Once found, the date of the earliest recorded work order or maintenance may be used as a reasonable alternative for PISD.	3
Placed-in-service Date of Major Asset on Site	If adequate historical PISD is not available, research and obtain the actual or alternate PISD established from a major asset on the DoD site. A major asset can be defined as a significant asset that is critical to the primary function of the site. The major assets may vary based on the purpose of the site. For example, a tower would be a major asset at a communications station, a house would be a major asset at a housing site, and a lighthouse would be a major asset for a site that includes the lighthouse, housing units, as well as other assets such as driveways, fences, and storage buildings that were established to support the lighthouse. For other sites, such as air stations, units, or sectors that may have multiple functions, a major asset could be a building where many of the management and administrative activities occur. The major assets must be located within the same real property site. Upon obtaining the PISD of the major asset, use the PISD of the major asset as the reasonable alternative for the PISD of the supporting assets in question. If more than one major asset has a reliable PISD on the site, and the PISD of the major assets <b>is</b> different, then use the PISD of the oldest asset on the site. Once found, the PISD of the oldest major asset may be used as a reasonable alternative for PISD.	3
Construction Style	If adequate historical PISD is not available, a search for assets on the DoD site of a similar construction style or period. Once found, the PISD of <b>a</b> similar style asset may be used as a reasonable alternative for PISD. If only a range of years can be identified, then the mid-point of the range is an acceptable estimate of the PISD.	3

## A2.6 Definitions

**A2.6.1. Asset Allocation Current Use Category Code:** A Military Service designator that represents the current use by the assigned user of a specific portion of an RPA.

**A2.6.2. Asset Allocation Current Use FAC Code:** An OSD level designator that represents the current use by the assigned user of a specific portion of the RPA.

**A2.6.3. Asset Allocation Size Quantity:** The amount of the asset granted for use based on the Asset Allocation Current Use FAC and expressed in terms of the Asset Allocation Unit of Measure Code.

**A2.6.4. Asset Allocation Unit of Measure Code:** The unit of measure code used for the measurement of the associated Asset Allocation Size Quantity.

**A2.6.5. GVPV:** An interest in a real property asset held by the U.S. Government acquired by a mutually beneficial partnership agreement between a **DoD Component** or WHS and a private entity, where equity interest in a project is shared for a specific business purpose. This interest type applies when the DoD has ongoing reported financial statement costs directly associated with an asset(s) gained by the project or the asset is located on a military installation.

**A2.6.6. City Code:** The code used to identify the city or the nearest city to where the real property asset or real property site is located. The nearest city **must** be in the same county as the asset.

**A2.6.7. Country Code:** The Geopolitical Component Names and Codes standard, code used to identify the country in which the real property asset or site is located.

**A2.6.8. County Code:** The code used to identify the county in which the real property asset or site is located. This code identifies counties and equivalent administrative entities of the U.S., its possessions, and associated areas as defined by the Federal Information Processing Series (FIPS) and found in the General Services Administration (GSA) Geographic Locator Codes (GLCs) or the county equivalent for countries not covered in the GSA GLCs. A County Code is only unique if it is combined with a State or Country Primary Subdivision Code in the areas listed in the GSA GLCs or with the Country Code for areas not in the GSA GLCs.

**A2.6.9. Deemed Cost:** An amount used as a surrogate for initial amounts that otherwise would be required by SFFAS 6 to establish opening balances.

**A2.6.10. RPUID:** A unique non-intelligent code used to permanently identify a real property asset.

**A2.6.11. State or Country Primary Subdivision Code:** The code used to identify the primary subdivision of a country, such as a state, the District of Columbia, or a possession in which the real property asset or site is located.

**A2.6.12. Structure:** A facility, other than a building or linear structure, that is constructed on or in the land.

**A2.6.13. RPSUID:** A unique non-intelligent code used to permanently identify real property sites. A real property site is a specific geographic location that has individual land parcels and/or facilities assigned to it. The City Code, County Code, State or Country Primary Subdivision Code, and Country Code associated with the RPSUID provide location information necessary for location cost factors.

**A2.6.14. PRV:** A value, recorded in U.S. dollars, which represents the cost to design and construct a facility to current standards for the replacement of an existing facility at the same location.

**A2.6.15. RPA Historic Status Code:** A code used to identify the current historical status of an RPA.

**A2.6.16. RPA Interest Type Code:** A code used to identify the type of legal interest that DoD holds in an RPA.

\*Annex 3. Construction in Progress (CIP) Process

A3.1 CIP Process

A3.1.1. CIP accounts accumulate costs of real property construction and capital improvements anticipated to meet the capitalization criteria. (The USSGL accounts used to report DoD real property are provided in the Transaction Library and Standard Reporting Chart of Accounts available on the SFIS webpage.)

A3.1.2. A CIP account is created when either: (i) an in-house construction project(s) receives the work order and funding authorizations; or (ii) another DoD Component, Federal agency, or commercial entity receives the design and funding authorizations. A DoD Component constructing real property for a DoD Component accumulates all costs in a CIP account from project inception until the costs are billed to the Funding DoD Component. The DoD Component records billed amounts in its CIP account. See [Volume 3, Chapter 17, “Accounting Requirements for Military Construction Projects”](#) for guidance on intergovernmental construction work and services.

A3.1.2.1. When Federal and nonfederal entities share project costs, a CIP account must be created if the real property asset will be federally owned. The federal share of construction costs is captured in a CIP account. For a cost-shared project between DoD and another Federal agency, the DoD share is captured in a CIP account within DoD’s financial statements. The real property asset must be recognized in the acquiring DoD Component’s financial statements.

A3.1.2.2. When a DoD Component is a construction agent and constructs a non-federally owned real property asset, costs must be accumulated in a CIP account to be billed to the customer. If a DoD Component is not the construction agent and the real property asset is not DoD-owned, the DoD Component’s share is expensed as incurred. If DoD does not have rights and obligations to the real property asset, the costs should be expensed, not captured in CIP. If final ownership was not determined at project funding and design authorization, the cost must be relieved from the CIP account and expensed when it is determined that the real property asset will not be federally owned.

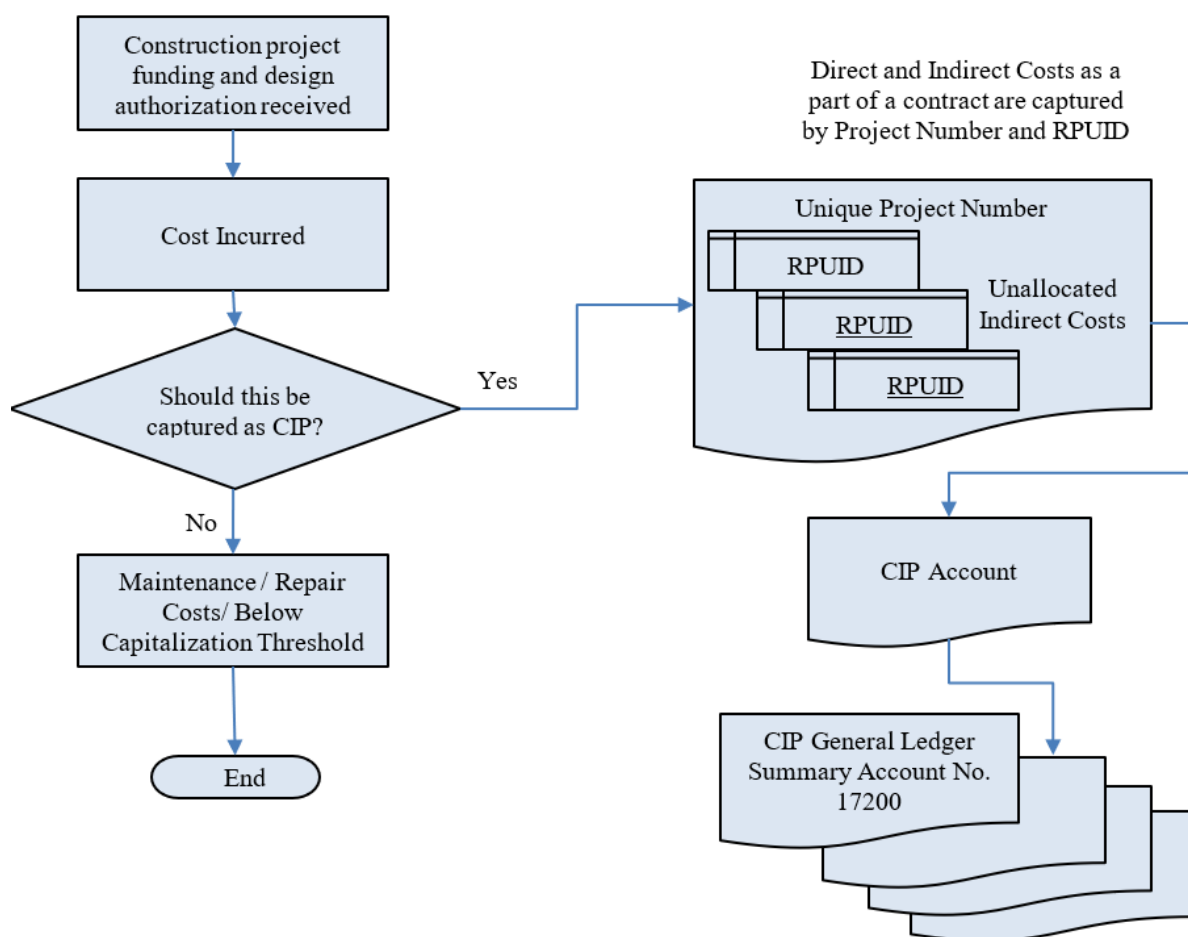
A3.1.3. DoD Components must assign a unique project number, and the Host Installation must assign at least one RPUID for each approved construction project. The project number and RPUID are associated with a CIP account. The unique project number must remain the same and be used for all phases of a construction project, regardless of the fiscal year.

A3.1.4. CIP costs must be tracked by both the Component unique project number and the RPUID to ensure visibility, traceability, and accountability. The relationship among a construction project, RPUID, and CIP account is provided in Figure A3-1.

A3.1.5. The Funding DoD Components must continue to report CIP on their financial statements until the constructed item is accepted by the accountable DoD Component. The CIP amount reported for financial statements must include the Funding DoD Component’s Project Number, Project Detail Fund Code(s), Project Detail Fund Code Cost Amount, Project Detail

Organization Code(s), Programmed Amount, and RPUID(s). The construction agent (invoices to support DD1354) and the Funding DoD Component (SF 1080 to support reimbursable work performed by the construction agent via 7600B, when funds are not provided by sub-allotment) must retain the supporting documentation for their respective CIP account portion(s) for the audit trail. Upon the host installation's RPAO acceptance of real property asset(s) or capital improvements, the construction agent provides the Funding DoD Component's RPAO with auditable supporting documentation to support the Interim/ Final DD1354. The Funding DoD Component's RPAO must provide the documentation to the DoD Component to retain in accordance with applicable laws, regulations, and instructions.

Figure A3-1. Relationships among a Construction Project, RPUID, and CIP Account



**A3.1.6.** When constructed real property asset(s) or improvements are accepted and placed in service, the CIP account costs must be relieved **in the same period as the individual** real property asset **is posted to the appropriate real property account** with an RPUID. The recorded cost must equal the sum of all construction and applicable design costs. In addition, the Funding DoD Component must ensure that all costs incurred are provided to the construction agent on a formal

document of the real property asset(s) or improvements prior to acceptance by the accountable DoD Component.

A3.1.7. For construction projects that are completed in multiple phases, the cost of each phase is credited from the CIP account and debited to the appropriate asset or expense account, by RPUID, when each real property asset or useable portion of the asset is placed in service. The assets may have one or more PISDs for depreciation purposes. Each phase must be depreciated over its estimated useful life when placed in service.

A3.1.8. Interim DD Form 1354. The standard processing timeline for the required Interim DD Form is shown in Table A3-1. Prior to the established inspection date at the completion of new construction or capital improvement, the DCA prepares an Interim DD Form 1354 for all accountable real property assets. The DCA verifies that distributed indirect costs and all CIP costs expended to date, including assets below the capitalization thresholds, are accurately captured on the Interim DD Form 1354 in column 19, Cost, along with the PSD in block 7a.

Table A3-1. Interim DD Form 1354 Timeline

Initiation Responsibility	Timeline
DCA signs Interim DD Form 1354 and provides signed copy to the Installation Management Organization Accountable Official (IMOAO) / Real Property Accountable Officer (RPAO)	Within 20 calendar days <sup>2</sup> after PSD but before the 10 <sup>th</sup> day of the last month of the fiscal year quarter, regardless of PSD.
IMOAO/RPAO signs Interim DD Form 1354 and provides signed copy to DCA. IMOAO/RPAO records/updates Interim DD Form 1354 into Host Installation's APSR.	Prior to the end of the next month after the date of the DCA signature and no later than the 20 <sup>th</sup> day of the last month of the fiscal year quarter. <sup>3</sup>
DCA provides copy to the Project Sponsor. DCA or Project Sponsor relieves CIP costs to date after receipt of Interim DD Form 1354 signed by both DCA and IMOAO/RPAO.	Prior to the end of the next month after the date of the DCA signature and no later than the Fiscal Quarter of the PSD or the Fiscal Quarter of the month after the date of the construction agent's signature.

A3.1.9. Equipment and non-capital construction costs must be listed in block 28, with Project Remarks, and Construction Deficiencies noted in block 27. The DCA signs the Interim DD Form 1354 and forwards it to the IMOAO/RPAO. The IMOAO/RPAO signs the Interim DD Form 1354 and ensures that all facilities listed are recorded in the Host Installation APSR. The DCA provides copies of the signed Interim DD Form 1354 to the Project Sponsor. Upon receipt of the signed copies of the Interim DD Form 1354, the DCA or Project Sponsor relieves the CIP and the IMOAO/RPAO posts to the Host Installation's APSR by the timeline.

<sup>2</sup> DoD Components and WHS may establish more stringent requirements but not less stringent than under this policy. Metrics will be generated from OSD policy, regardless of DoD Components or WHS timelines.

<sup>3</sup> Recordation must occur before the end of each quarter for the purposes of financial accounting accuracy.



A3.1.10. Final DD Form 1354. The standard processing timeline for the required Final DD Form 1354 is shown in Table A3-2. Any difference between the interim and final DD-1354 must be documented. An accrual must be recorded for material unpaid amounts for accepted assets across the entire portfolio of construction projects, which requires tracking for each end item and aggregating its costs. The DCA records and the Project Sponsor account for any additional costs after the PISD. The DCA accounts for all additional construction costs upon final contract closeout and posts the costs in the Final DD Form 1354, column 19. The DCA signs the Final DD Form 1354 and provides it to the IMOAO/RPAO for signature. The IMOAO/RPAO ensures that all additional costs are recorded in the Host Installation APSR, signs the Final DD Form 1354, and returns it to the DCA for distribution and final CIP relief. Once the Project Sponsor receives the signed Final DD Form 1354, any remaining funds in the Project Sponsor's CIP account must be moved to the Host Installation. The IMOAO/RPAO updates the original acquisition cost in the Host Installation's APSR, and the final amount is depreciated over the remaining useful life of the asset. All these actions must be completed timely.

Table A3-2. Final DD Form 1354 Timeline

Initiation Responsibility	Timeline
DCA determines all costs are accumulated, financially closes the contract, processes claims, completes all outstanding items, and provides a signed Final DD Form 1354 to the IMOAO/RPAO	Within 20 calendar days <sup>4</sup> after final costs are determined, but must be complete by the 10 <sup>th</sup> day of the last month of the fiscal year quarter.
IMOAO/RPAO signs Final DD Form 1354, provides signed copy to the DCA, and ensures all accumulated construction costs are recorded in the Host Installation's APSR.	Prior to the end of the next month after the date of the DCA signature on the final DD Form 1354 and no later than the 20 <sup>th</sup> day of the last month of the fiscal year quarter. <sup>5</sup>
DCA provides a copy of the signed Final DD Form 1354 to the Project Sponsor. DCA or Project Sponsor relieves the remaining CIP costs.	Prior to the end of the next month after the date of the DCA signature and no later than the end of the fiscal year quarter. <sup>4</sup>

A3.1.11. The Construction Agent (MILCON) or Project Sponsor (O&M) relieves CIP at construction completion if the Project Sponsor (entity that initiates and funds the project) is not the Host Installation (base or facility where the project is located). When the construction is finished, the Construction Agent or the Project Sponsor officially takes over the completed project and its associated costs, effectively relieving the CIP of its responsibility for that specific project. Construction costs are debited by RPUID in the financial systems and APSR. Funds must be accurately depicted on the Interim and Final DD Form 1354. The IMOAO/RPAO and construction agent must sign the DD Form 1354 within ten business days, but not later than 20 calendar days of the PISD.

<sup>4</sup> DoD Components may establish more stringent requirements but not less stringent than under this policy. Metrics will be generated from OSD policy, regardless of DoD Component's timelines.

<sup>5</sup> Recordation must be not later than the end of each quarter for the purposes of financial accounting accuracy.

## A3.2 Metrics

Real Property Inventory Model (RPIM) data elements track the timeliness of the real property documentation process. Table A3-3 lists the RPIM data elements. On the PISD, the government assumes ownership and liability for a newly constructed facility or a capital improvement. The PISD is captured on the Interim DD Form 1354, entered into the Host Installation's APSR as the "RPA PISD", and transmitted to the Data Analytics Integration Support (DAIS) system. The placed-in-service date will be established on an interim DD Form 1354 and is not to be updated with the final DD Form 1354. If there are multiple interim DD Forms 1354 for a single project, the final DD Form 1354 will include the placed-in-service date from the first interim DD Form 1354. The placed-in-service dates for subsequent interim DD Forms 1354 will be annotated on the final DD Form 1354 in block 28, Project Remarks. Metrics track the DoD Component's adherence to the timelines, so processing delays can be identified and corrective action implemented. The Office of Deputy Assistant Secretary of Defense for Real Property (DASD RP) uses DAIS Business Intelligence (BI) reports to monitor the CIP documentation timelines. These new data elements were introduced as Engineering Change Proposals (ECPs) to the RPIM Configuration Support Panel for the next update to RPIM. The Host Installation's APSR and DAIS will capture this data going forward. Final systems implementation must be completed by the end of 2025. Capital improvements do not change the original PISD but capture the APSR posting date.

Table A3-3. Proposed RPIM Data Elements<sup>6</sup>

Proposed RPIM data elements	Data to populate new RPIM data elements
RPA Date of Interim DD Form 1354 DCA Signature	Date from Block 24c of the Interim DD Form 1354.
RPA Date of Interim DD Form 1354 IMOAO/RPAO Signature	Date from Block 25c of the Interim DD Form 1354.
Date Entered into APSR	System-generated date based on change of Operational Status Code of TBA to ACTIVE or creation date of new facility, or date Capital Improvement is recorded into the APSR.
RPA Date of Final DD Form 1354 DoD DCA Signature	Date from Block 24c of the Final DD Form 1354.
RPA Date of Final DD Form 1354 IMOAO /RPAO Acceptance Signature	Date from Block 25c of the Final DD Form 1354.

<sup>6</sup> These RPIM data elements were submitted in an Engineering Change Proposal to the RPIM Configuration Control Board in October 2023, as a part of the FY24 Update to RPIM version 11.0.

## Annex 4. Illustrative Examples and Note Disclosures

### A4.1 CIP Illustrative Examples

A4.1.1. The General Ledger (G/L) journal entries must be recorded to relieve CIP costs expended for the construction of real property assets or capital improvements when the Funding DoD Component is not the Host Installation: [The Funding DoD Component uses Transaction Code E510, and the Host Installation uses Transaction Code E606](#) (see the SFIS webpage for detailed entries).

A4.1.2. CIP Example 1: Defense Logistics Agency (DLA) funds the construction of a new building on an Army installation using the United States Army Corps of Engineers (USACE) as the DCA. DLA suballocates funding to USACE via the Funding Authorization Document (FAD). USACE accumulates costs during construction and reports the costs to DLA. These costs are reflected in DLA's CIP account and reported on its financial statements. When the building is placed in service, USACE provides all the relevant supporting documentation (i.e., signed Interim DD1354 by USACE and the Army) to the Army and DLA. USACE relieves CIP on DLA's behalf, and the Army records the asset in its APSR. The Army also reports the facility on its financial statements and depreciates it over its estimated useful life. Journal entries must be recorded for USACE on DLA's behalf and the Army upon the building's placement in service and the receipt of the completed documentation from USACE. USACE on DLA's behalf uses Transaction Code E510, and the Army uses Transaction Code E606 (see the SFIS webpage for detailed entries). Note: If the asset is not recognized during the month CIP is relieved, then the depreciation must be recorded by the Host Installation.

A4.1.3. CIP Example 2: The Defense Health Agency (DHA) funds a capital improvement to a building on an Air Force installation using Naval Facilities Engineering Systems Command (NAVFAC) as the construction agent. DHA accumulates costs during construction and reports these costs in its financial statement CIP account. NAVFAC provides a monthly SF-1080 to support the cost of CIP until the capital improvement is complete. When the capital improvement is placed in service, NAVFAC provides all the relevant supporting documentation (i.e., signed Interim DD1354 by NAVFAC and Air Force) to the Air Force and DHA. See Table 24-3 for examples. With this documentation, DHA relieves CIP, and the Air Force records the capital improvement in its APSR. The Air Force also reports the capital improvement to a building on its financial statements and depreciates it for its estimated useful life. Illustrated below are journal entries that must be recorded for DHA and Air Force upon the capital improvement's placement in service and the receipt of the relevant documentation from NAVFAC. The DHA uses Transaction Code 510, and the Air Force uses Transaction Code E606 (see the SFIS webpage for detailed entries).

### A4.2 In-Service Real Property Examples

A4.2.1. The Missile Defense Agency (MDA) operates a facility that includes other defense agency tenants located on an Army Installation. The Army does not have operations in the facility, but is the designated [Host Installation](#) and carries the MDA facility as Army real property in its real property database. The Army is the financial reporting entity for the facility.

A4.2.2. The Army Working Capital Fund (WCF) operates and has jurisdiction over a maintenance depot. The Army WCF reports the real property on that installation on its financial statements and is responsible for maintaining supporting documentation to support the audit.

A4.2.3. The illustrative G/L journal entries to demonstrate the transfer of in-service real property from one DoD Component or WHS to the Host Installation are found on the SFIS webpage, transaction code E510 for the DoD Component or WHS and transaction code F606 for the Host Installation.

### A4.3 Capitalized Improvements to Real Property Illustrative Examples and Journal Entries

#### A4.3.1. Capitalized Improvements to Real Property Examples

A4.3.1.1. The Defense Logistics Agency (DLA) WCF funds an improvement to a building on an Army base. DLA reports the CIP until the improvement is complete, then transfers the improvement to the Army to be reported on the Army's General Fund financial statements. DLA sets its capital recovery rates related to the capital improvement in accordance with Volume 2B, Chapter 9, recording the imputed cost instead of actual depreciation expense as the basis for its budget.

A4.3.1.2. The Defense Advanced Research Projects Agency (DARPA) funds a conversion of an office suite to another purpose that it occupies on a Navy installation. DARPA reports the CIP until the conversion is complete, relieves CIP, and then transfers the improvement to the Navy to be reported on the Navy's General Fund financial statements.

A4.3.2. The transfer of in-service real property from one DoD Component or WHS to the Host Installation is found on the SFIS webpage, transaction code E510 for the Funding DoD Component and transaction code E606 for the Host Installation (see the SFIS webpage for detailed entries).

#### A4.4 Note Disclosure Examples

A4.4.1. The following is an example of a note disclosure for [Host Installations](#), which could be Military Departments, WHS, or Military Department WCFs:

*The [Host Installation] reports the real property within the jurisdiction of [Host Installation] installations, in its financial statements because it is the designated Host Installation. This includes real property on [Host Installation] installations including real property used and occupied by [another Military Department, WHS, another Military Department WCF or other DoD Components (who are not the Host Installation)]. The [Host Installation] who is the Host Installation does not report assets on its installation that were funded by and are exclusively used by an entity not included in the consolidated DoD financial statements. While the [Host Installation] is responsible and accountable for accepting, controlling, managing, and utilizing real property assets, the [Host Installation] has entered into Memoranda of Agreement, with another Host Installation, or other DoD Components, and license or permit with non-DoD governmental agencies, transferring the right to control the use of a [Host Installation] real property asset to the [other Host Installation and other DoD Components or WHS and non-DoD governmental agencies (who are not the Host Installation)]. The transfer of the right to control the use of the real property asset does not transfer jurisdiction and the asset remains an asset under the jurisdiction of the [Host Installation].*

A4.4.2. The following are examples of note disclosures for [DoD Components and WHS](#) utilizing real property assets in their operations that are being financially reported by a [Host Installation](#):

Example of the Note for [DoD Component](#):

*The [DoD Component] does not report in its financial statements real property that they use and occupy within the jurisdictions of [Military Department or WHS]. This includes all real property used and occupied by the [DoD Component]. The [DoD Component] has entered into Memoranda of Agreement, with the [Host Installation] that is the Host Installation, which transfers the right to control the use of [Host Installation] real property asset to the [DoD Component]. The transfer of the right to control the use of the real property asset does not transfer jurisdiction and the asset remains an asset of the [Host Installation] acting as the Host Installation.*

Example of the Note for a non-Military Department WCF Component (e.g., DLA):

*The [DoD WCF Component] does not report in its financial statements real property that they use and occupy within the jurisdiction of [Host Installation]. This pertains to all real property used and occupied by the [DoD WCF Component] including real property that was funded with WCF outlays that are being recovered through the capital recovery rate. The [DoD WCF Component] has entered into Memoranda of Agreement, with the [Host Installation] that is the Host Installation, which transfers the right to control the use of a [Host Installation] real property asset to the [DoD WCF Component]. The transfer of the right to control the use of the real property asset does not transfer jurisdiction and the asset remains and asset of the [Host Installation] acting as Host Installation.*

A4.4.3. The following is an example of a note disclosure for a Military Department WCF that (1) has been given jurisdiction over specific installation(s) and financially reports that real property; and (2) also uses and occupies other real property for which it is not the financially reporting [Host Installation](#):

The [Military Department WCF] reports in its financial statements real property within the jurisdiction of the [Military Department WCF], when it is the designated [Host Installation](#) for the real property. This includes real property on [Military Department WCF] designated installations, including real property used and occupied by [another [DoD Component](#) (who are not the [Host Installation](#))]. However, the [Military Department WCF] which is the designated [Host Installation](#) does not report assets on its installation that were funded by and are exclusively used by an entity not included in the consolidated DoD financial statements.

The [Military Department or WCF] used and occupied certain real property asset(s) in which it is not the designated [Host Installation](#) as a result does not include the real property asset(s) in its financial statements. The [Military Department WCF] has entered into Memoranda of Agreement, with the [[Host Installation](#)] that is the [Host Installation](#), which transfers the right to control the use of [[Host Installation](#)] real property asset(s) to the [Military Department WCF]. The transfer of the right to control the use of the real property asset does not transfer jurisdiction, and the asset remains an asset of the [[Host Installation](#)] acting as the [Host Installation](#).