OFFICE OF THE UNDER SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-1100

COMPTROLLER

SEP 30 2015

MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS (FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES
DIRECTOR, JOINT STAFF

SUBJECT: Accounting Policy Update for Financial Statement Reporting for Real Property Assets

This memorandum establishes policy guidelines for the financial statement reporting of real property assets, as detailed in the attachment. It sets forth policy for the reporting the initial costs and subsequent related costs of real property, including buildings, structures, linear structures, and land. This memorandum supersedes all previous memorandums related to the reporting of real property assets on stand-alone financial statements. This policy is effective in Fiscal Year 2016 and must be fully implemented by all DoD components no later than September 30, 2016.

Real property must be reported by an entity that derives primary economic benefit <u>and</u> is responsible for sustainment of the property. If no entity meets both criteria, then the installation host must report the real property in its financial statements. Entities not reporting real property, but still receiving economic benefit from real property, must record imputed costs and imputed financial resources in their general ledgers. The DoD Financial Management Regulation will incorporate the changes in the next update.

My point of contact for this matter is Ms. Maryla Engelking. You may contact her at maryla.e.engelking.civ@mail.mil or 703-571-1657.

Mark E. Easton
Deputy Chief Financial Officer

Attachment:
As stated

Department of Defense (DoD)
Financial Statement Reporting for Real Property Assets
Policy Memorandum
September 2015

I. INTRODUCTION

The purpose of this memorandum is to set forth the Department of Defense (DoD) financial reporting and accounting policy (the Policy) for reporting the initial cost and subsequent related costs of Real Property Assets (i.e., building, structure, linear structure, or land). This policy is effective upon its signing by the DoD Deputy Chief Financial Officer and must be fully implemented by all DoD Components no later than September 30, 2016.

This policy was preceded in recent years by a number of other policy approaches issued by the DoD either as revisions directly to the DoD Financial Management Regulation (FMR) or as policy memoranda to supersede the FMR. For background and informational purposes, these previous policy approaches are described in Appendix 3 of this memorandum.

See Appendix 4 of this memorandum for a list of definitions applicable to the usage of certain key terms within this memorandum.

II. REAL PROPERTY ACCOUNTING POLICY OVERVIEW

Based on consideration of relevant Generally Accepted Accounting Principles (GAAP) which are described in Appendix 5, and evaluation of previous policies described in Appendix 3, the primary consideration in determining which entity reports a Real Property Asset on its financial statement will be based on a two-fold criteria as follows: The financial reporting entity will be the entity which derives the primary economic benefit from utilization of the Real Property Asset in the achievement of the entity's mission <u>and</u> who is also responsible for programming, budgeting, and executing (directly or through reimbursement) the sustainment requirements for that Real Property Asset. Applying this methodology in the implementation of this Policy requires identification of the Primary Economic Beneficiary of the Real Property Asset. DoD is defining the Primary Economic Beneficiary of a Real Property Asset as the DoD Component using 90% [1] or more of the physical capacity of a Real Property Asset to conduct its operations

[1] The 90% is applied to the occupied square feet, net of incidental commercial retail tenants. For example, if a building had 100,000 sq. feet of space, and 10,000 sq. feet was occupied by a retail coffee shop and a snack bar/eatery, for purposes of this calculation, the 90% would be applied to 90,000 sq. feet (100,000 – 10,000). In addition, there may be instances where the DoD Component has the right to use 90% of the space in the building, structure or linear structure but because of their current operational requirements do not use all of the 90%. If they have the right to use the 90% or more of the space, and the right to reduce their space, and the right to decide to let other tenants in to use the excess space, they would still meet the criteria for financial reporting of the Real Property Asset on the basis of their control. This change in current operational requirements would not be anticipated to be of a long term duration and utilization of 90% as the Primary Economic Beneficiary of the space would commence/resume within a reasonable period of time.

and carry out its programs and mission. The 90% threshold, while reflecting the judgment of DoD, is not arbitrary but rather acknowledges that from an operational/economic benefit perspective there is a level of usage less than 100% which should require financial reporting of the real property asset. In addition to meeting the criteria of the Primary Economic Beneficiary, the entity must be responsible for sustainment requirements of the real property asset in order to report the asset on its financial statements.

An additional consideration in determining financial reporting responsibility for a real property asset from a GAAP perspective is Control. There are two instances in which, the consideration of Control will be the determining factor in identifying the DoD Component with financial reporting responsibility for the asset:

(i) There is no one DoD Component that meets the 90% asset utilization criteria as a Primary Economic Beneficiary and also has responsibility for the sustainment requirements for that Real Property Asset. In this instance, the Installation Host will report the real property asset in its financial statements.

(ii) In the case of installation land and utilities, the Installation Host maintains control and gains all economic benefit from all such utilities and land assets (stewardship and non-stewardship), and therefore will report these assets in its financial statements.

III. GENERAL GUIDANCE

General guidance for Recording Real Property Assets under this Policy (concepts apply to both General Fund and Working Capital Fund DoD Components) is provided below. Further guidance is also provided in the decision trees included in Appendix 6 and Appendix 7 to this memorandum.

A. <u>FINANCIAL ACCOUNTING AND REPORTING FOR ORIGINAL ACQUISITION</u>

1. The entity acquiring the real property through purchase of an existing real property asset (the Acquiring Entity), should record the asset on its balance sheet (if it is <u>at or over the capitalization threshold in effect at the time the real property is acquired)</u> and report it in its financial statements for as long as it is the Primary Economic Beneficiary and also has responsibility to sustain the asset (Primary Financial Reporting consideration) or in the two instances noted in Section II, (i) and (ii) of this memorandum.

2. If the acquisition is through construction rather than purchase of a completed property, the costs of construction will be accumulated and reported by the Acquiring Entity as Construction in Progress (CIP) until the construction is complete and the asset is available for use. Once the asset is placed in service, the Acquiring Entity

(assuming they are the Primary Economic Beneficiary and are also responsible for sustainment requirements of the asset) would then report the asset as real property on its balance sheet and also record and report depreciation expense and accumulated depreciation, as applicable.

B. ≥90% REAL PROPERTY USER WITH RESPONSIBILITY FOR ASSET SUSTAINMENT REQUIREMENTS: FINANCIAL ACCOUNTING AND REPORTING SUBSEQUENT TO ORIGINAL ACQUISITION

1. Subsequent to the acquisition of the property (or transfer of the costs of construction from Construction in Progress to the real property asset financial record, as applicable), if one or more other DoD Component(s), in addition to the Acquiring Entity, use space in the real property, an assessment should be made to determine whether the reporting of the real property asset should change. The key factors in the assessment will be whether any of the DoD Components using space in the real property, other than the Acquiring Entity, are using 90% or more of the Real Property Asset and have responsibility for asset sustainment requirements.
    a. If one DoD Component (other than the Acquiring Entity) uses 90% or more of the Real Property Asset and has responsibility for asset sustainment requirements then:
        i. The Acquiring Entity will no longer report the real property on its financial statements.
        ii. The Acquiring Entity will record (in their accounting system from which their financial statements are prepared) a transfer out of the real property/accumulated depreciation to the DoD Component using 90% or more of the real property and who has responsibility for asset sustainment requirements. The transfer should include the amounts for the total acquisition cost and the separate accumulated depreciation recorded for the full book value of the real property (i.e., 100% not 90%).
        iii. The DoD Component using 90% or more of the real property and who has responsibility for asset sustainment requirements will record (in their accounting system from which their financial statements are prepared) the total acquisition cost of the real property and the associated accumulated depreciation as a transfer in. The ≥ 90% Using Entity who has responsibility for asset sustainment requirements would also record depreciation expense for the real property in subsequent reporting periods.

2. All of the DoD Components using space in the real property that do not pay directly or pay through reimbursement for the fair value of the space being used/occupied, will

record an imputed cost for the difference between what is being paid (if anything) for any Component incurred costs and the fair value of their use (which should include sustainment and operating costs) and a corresponding financing source. Note that in accordance with Statement of Federal Financial Accounting Standards No. 4, paragraph 109, "*The information on costs of non-reimbursed or under-reimbursed goods or services should be available from the providing entity.*" The DoD Component (e.g. the Acquiring Entity or the Installation Host) incurring and paying for the real property costs (such as sustainment and operating costs) should continue to record these costs in its accounting records and report the full cost they incur for those goods or services. Environmental clean-up and disposal costs that are recorded over time in conjunction with the usage/useful life of the asset are considered to be a part of the operating costs of the asset and these costs would need to be imputed by those DoD Components using the related real property asset who do not pay or reimburse for these costs.

3. If use by the Primary Economic Beneficiary is known to be short term, then the Real Property Asset and accumulated depreciation will be reported by the Installation Host in its financial statements during that period. Short term use for this purpose means a period of two years or less. Note that this short term arrangement between the DoD Components, as with all arrangements for the use of real property, must be set out in an appropriate real property Support Agreement (e.g. InterService Support Agreement (ISSA); Memorandum of Agreement (MOA); Memorandum of Understanding (MOU)).

C. < 90% REAL PROPERTY USER AND/OR IS NOT RESPONSIBLE FOR SUSTAINMENT REQUIREMENTS: FINANCIAL ACCOUNTING AND REPORTING SUBSEQUENT TO ORIGINAL ACQUISITIONS

1. If multiple DoD Components, which could include the Acquiring Entity, use the real property but no one DoD Component uses 90% or more of the space and is responsible for sustainment requirements, then the Installation Host, based on control, will report the real property asset, accumulated depreciation and depreciation expense in its financial statements.
2. If there are DoD Components who use space in the real property (less than 90%) without reimbursement, those DoD Components should record an imputed cost for the value of their use of the real property (e.g. the value of depreciation attributable to their proportionate use).
3. All of the DoD Components using space in the real property that do not pay directly or pay through reimbursement for the fair value of the space being used/occupied, will record an imputed cost for the difference between what is being paid (if anything) for any Component incurred costs and the fair value of their use (which should include sustainment and operating costs) and a corresponding financing source. Note that in

accordance with Statement of Federal Financial Accounting Standards No. 4, paragraph 109, “The information on costs of non-reimbursed or under-reimbursed goods or services should be available from the providing entity.” The DoD Component (e.g. the Acquiring Entity or the Installation Host) incurring and paying for the real property costs (such as sustainment and operating costs) should continue to record these costs in its accounting records and report the full cost they incur for those goods or services. Environmental clean-up and disposal costs that are recorded over time in conjunction with the usage/useful life of the asset are considered to be a part of the operating costs of the asset and these costs would need to be imputed by those DoD Components using the related real property asset who do not pay or reimburse for these costs.

D. IMPUTED COST ACCOUNTING ENTRY:

The accounting entry to record imputed costs is contained in the Treasury Financial Manual Transaction code E402 as follows (see also DoD Transaction Code E402-001-05):

> E402 - To record the imputed costs and related imputed financing sources.
> Reference: USSGL implementation guidance; FASAB SFFAS No. 7, "Accounting for Revenue and Other Financing Sources"
>
> <u>Budgetary Entry</u>
> None
>
> <u>Proprietary Entry</u>
> Debit 673000 Imputed Costs
> Credit 578000 Imputed Financing Sources

Note that any imputed costs and financing sources recorded as a result of real property transactions between Components within the DoD will be eliminated in the preparation of the consolidated DoD financial statements.

E. LAND: FINANCIAL ACCOUNTING AND REPORTING

As the Installation Host maintains control and gains the overall economic benefit from land assets, all land, stewardship and non-stewardship, should be reported/disclosed in the financial statements of the Installation Host. Land includes the utilities contained on and within it (e.g. water, power and sewer lines). No imputed costs are to be recorded for land.

F. CAPITAL IMPROVEMENTS

Capital Improvements (which includes leasehold improvements), at or over the capitalization threshold in effect at the time the capital improvements/leasehold improvements are acquired, will be recorded and depreciated by the DoD Component real property user acquiring the capital improvement /leasehold improvements irrespective of whether they are the Primary Economic Beneficiary responsible for sustainment requirements of the property containing the capital improvement/leasehold improvements. DoD Components, using the capital improvement/leasehold improvements in the property that do not pay/reimburse the Acquirer of the capital improvements/leasehold improvements for their use, will record an imputed cost for the value of the depreciation expense of the capital improvements/leasehold improvements from which they benefit. A DoD Component using space in real property that reports capital improvements/leasehold improvements for that real property and subsequently ceases use of the real property will transfer the book value of those capital improvements/leasehold improvements (acquisition value and accumulated depreciation) along with supporting documentation to the DoD Component responsible for reporting the real property asset in its financial statements at the time they no longer are using the real property.

G. “JOINT VENTURE” ARRANGEMENTS

“Joint Venture” Arrangements: There may be situations where a DoD Component jointly funds the acquisition or construction of real property with a DoD governmental entity known as a Nonappropriated Fund Instrumentality (NAFI). A NAFI is a DoD organizational and fiscal entity that is supported in whole or in part by Nonappropriated funds. It acts in its own name to provide or assist Secretaries of Military Departments in providing programs for DoD personnel. It is not incorporated under the laws of any state or the District of Columbia, but has the legal status of an instrumentality of the United States. Under current GAAP, NAFI entities are not included in the DoD consolidated financial statements. An example of a NAFI would be an Armed Forces Exchange. Where a DoD Component jointly funds the acquisition or construction of real property with a NAFI, the DoD Component will, assuming the amount meets the capitalization threshold in effect at the time of the acquisition, record the real property on its balance sheet and report it in its financial statements in the amount of its share of funding. For example if a DoD Component and a NAFI each fund $10 million in the acquisition of a real property asset with a total of 50,000 square feet (with each acquiring 25,000 square feet), the DoD Component would record the real property at $10 million. For purposes of applying the guidance in this Policy for recording and reporting Real Property Assets, the 25,000 square feet of the facility funded by the DoD Component equates to 100%. Subsequent to the acquisition, if another DoD Component (other than the DoD Component providing the acquisition funding) uses 90% or more of the 25,000 square feet and is responsible for sustainment requirements for that space, that DoD Component would have financial reporting responsibility for the real property asset under this Policy. In this instance, a transfer in/out of the real property asset between the DoD Component providing the acquisition funding and the new Primary Economic Beneficiary with responsibility for sustainment requirements would be recorded as described above in Subsection B.1.a.

H. RESPONSIBILITY FOR ACCOUNTABLE PROPERTY SYSTEM OF RECORD (APSR)

Accountable Property System of Record (APSR): The DoD Component which reports a real property asset in its financial statements must maintain (or in certain instances have maintained by another DoD Component) a subsidiary property ledger containing details of individual Real Property Assets that are reported in their financial statements. This subsidiary property ledger is often referred to by DoD as an APSR. The DoD Component who reports the Real Property Asset on its financial statements is responsible for providing data on the valuation, existence and completeness of the Real Property Asset to the Installation Host and the Installation Host will accept this data and ensure that data is contained in their APSR.

In instances where the Title 10 USC §2682 requirement and the implementation of this Policy for financial reporting of real property results in the potential for maintaining two APSRs for the same asset, the non – Title 10 USC §2682 DoD Component can decide whether they will maintain a separate APSR of their own or rely on the DoD Component with Title 10 USC §2682 responsibility to provide an APSR to them. If the latter case is applicable, the requirement to provide the APSR to the financial reporting DoD Component must be set out in an appropriate real property Support Agreement (e.g.InterService Support Agreement (ISSA); Memorandum of Agreement (MOA); Memorandum of Understanding (MOU)) between the DoD Components. A host/tenant agreement must be in place to support the use and management responsibilities for each Real Property Asset. The financial reporting entity, if it is not the Installation Host, will provide the official existence, completeness and valuation data to the Installation Host.

In an instance where the DoD Component, which reports Real Property Assets in its financial statements in accordance with this Policy, relies on another DoD Component to provide it with an APSR, that APSR should include the appropriate data field identifier for the DoD Component with financial reporting responsibility of the real property asset (i.e., the RPA Financial Reporting Organization Code).

I. PROPERTY RECONCILIATIONS

The following Property Reconciliations are required:

a. Reconcile APSR to APSR: The Military Department or WHS having jurisdiction over the real property, in accordance with Title 10 USC §2682, is required to record Real Property Assets in their APSR. If the Military Department or WHS is not the entity that reports the real property on its financial statements under this Policy, the real property may also be recorded by another DoD Component in its APSR and be reported in its financial statements – see Section III General Guidance, Subsection H above. Note that in this instance if two DoD Components are recording the real property asset in their APSR, only one DoD Component is reporting the real property asset in its financial statements.

b. The Military Departments and WHS are each required to perform a reconciliation of their APSR with each of the other DoD Components (including reconciliation between Military Departments as applicable) on a quarterly basis (in accordance with DoD Instruction (DoDI) 4165.14, Enclosure 3, Section 5 a., "Reconciliation and Certification," as supplemented by the August 29, 2011 Office of the Under Secretary of Defense (Comptroller) memo. "Quarterly Reporting of Key Real Property Data for Reconciliation") prior to issuance of their financial statements. The Military Departments and WHS must obtain written acceptance/confirmation from the other DoD Components/Military Departments that there are no unresolved reconciling items for the APSR reconciliation. If unresolved reconciling items exist, there must be a written, agreed upon corrective action plan between the Military Departments/WHS and the other DoD Components to resolve the items. In the event of a difference between two APSRs containing data for the same real property asset(s), the Financial Reporting entity's APSR will take precedence over any other APSR for the same real property.

   Additionally, DoD Components annually certify to the Assistant Secretary of Defense (ASD); Energy, Installations & Environment (EI&E) that the DoD Component has reconciled real property inventory records where it occupies, operates, or maintains the real property with the Military Department or WHS having accountability, in accordance with Enclosure 3, Section 5 b., DoDI 4165.14.

c. APSR to Financial Statements: All DoD Components (Military Departments, WHS and Other Defense Organizations) must reconcile their APSR (including the APSR they obtain from another DoD Component in accordance with

Section III General Guidance, Subsection H above) to their financial statements (or to their trial balance if financial statements are not required to be prepared) on a quarterly basis.

d. Construction In Progress: All DoD Components funding Construction in Progress (CIP) must reconcile their recorded CIP balances on a quarterly basis with any service provider/contractor working on the CIP. CIP should reflect the value associated with the actual progress of work completed which may be more or less than amounts invoiced to the DoD Component as of the quarter end.

Each DoD Component should have documented in a Standard Operating Procedure (SOP) the detailed procedures to be performed in the reconciliation, including the process for internal review and sign-off of the reconciliation by the appropriate level of financial management within the DoD Component. The reconciliation will at a minimum require the following procedures to be performed and documented: (i) identification of all relevant general ledger accounts comprising Real Property Assets (this information is available in the query screen in DDRS AFS); (ii) mapping of APSR subtotals/control totals to related general ledger accounts; (iii) comparison (reconciliation) of the period end APSR subtotals/control totals dollar amounts to the period end dollar amount totals in the relevant general ledger accounts; (iv) identification of differences noted in the comparison of APSR dollar amount subtotals/control totals to the relevant general ledger account dollar amounts; (v) research and resolve differences noted in step (iv) – this may require analyses to be performed at the transaction level both in the general ledger and in the APSR (the drill down capability in DDRS-AFS can be used to help facilitate these analyses); (vi) determine what adjustments need to be made in the general ledger and/or APSR as a result of the research and analyses (all adjustments must have appropriate supporting documentation and evidence of review and approval in accordance with DoD policies); note also that certain differences may be expected and do not require adjustment and should be documented as such, for example when a DoD Component is required to maintain an asset in its APSR because of U.S.C. Title 10 requirements but, in accordance with this Policy Memorandum, does not record the asset in its general ledger or report it on its financial statements; (vii) the final step is a comparison of the general ledger (with adjustments recorded as appropriate from step (vi)) to the DoD Component's financial statement line item for property, plant and equipment. This final comparison will require summing up all period end general ledger account amounts for property, plant and equipment (which will include, among other accounts, the accounts for land, buildings, structures and linear structures) and comparing that total to the property, plant and equipment line item on the period end financial statements; any differences noted in this comparison must be researched and resolved, which may include obtaining and reviewing adjustments made by the Defense Finance Accounting Services (DFAS) in the compilation of the financial statements.

Note that if the property, plant and equipment line item on the financial statements is shown net of depreciation, the comparison between the general ledger/trial balance and the financial statements will have to include the general ledger accounts for accumulated depreciation.

The reconciliations should be retained by the finance department. A copy should be provided to the Assistant Secretary of Defense for EI&E.

J. COMMERCIAL TENANTS USING DoD REAL PROPERTY

The Primary Economic Beneficiary, as described in this Memorandum, is the DoD Component using 90% or more of the physical capacity of a Real Property Asset to conduct its operations and carry out its programs and mission. The 90% is applied to the occupied square feet, net of incidental retail tenants. For example, if a building had 100,000 sq. feet of space, and 10,000 sq. feet was occupied by a retail coffee shop and snack bar/eatery, for purposes of this calculation, the 90% would be applied to 90,000 sq. feet (100,000 – 10,000). If the commercial use of space of a Real Property Asset is more than incidental (greater than 10%), the Installation Host will have the financial reporting responsibility for the asset. There is a presumption that the commercial tenants are paying rent to the Installation Host for their use of the asset. If the commercial tenants are paying rent to a DoD Component other than the Installation Host (where the commercial use is greater than incidental), that DoD Component will have the financial reporting responsibility for the asset. Other DoD Components using space in a Real Property Asset must consider and appropriately record imputed costs for their use of space (including depreciation, operation and sustainment costs, etc. as applicable).

K. DEFERRED MAINTENANCE AND REPAIRS

The DoD Component who reports the real property in its financial statements in accordance with this Policy Memorandum will be responsible for preparing, compiling and reporting the qualitative and quantitative Required Supplementary Information for deferred maintenance and repairs.

APPENDIX 1: DEPUTY CHIEF FINANCIAL OFFICER MEMORANDUM, FINANCIAL STATEMENT REPORTING FOR REAL PROPERTY ASSETS

FREQUENTLY ASKED QUESTIONS

This Appendix contains a sample of the frequently asked questions for implementation of the DoD Financial Statement Reporting for Real Property Assets Policy. A more extensive document of frequently asked questions will be posted on the DoD (Comptroller) website.

	Question	**Answer**
A	What is the difference in the Financial Reporting for Real Property Policy Memorandum between real property asset accountability and real property asset financial reporting? How does this conform to DoD 4165.06 policy that the jurisdiction over the acquisition, management and disposal of real property within DoD is a function of the Military Departments and WHS pursuant to direction of the Secretary of Defense, and not a function of the defense agency or other entity occupying real property?	The objective of the Policy is to provide a framework for determining which DoD Component should report a real property asset in its financial statements. The focus is on financial reporting. In accordance with Title 10 USC §2682, all DoD real property is under the jurisdiction (physical and legal accountability) of a Military Department or an organization designated by the Secretary of Defense. The Military Department or WHS having such jurisdiction is required to record the real property in its Accountable Property System of Record (APSR). If the Military Department or WHS is not the entity that reports the real property on its financial statements (because another DoD Component has financial reporting responsibility under the Policy), the real property may also be recorded by the other DoD Component in its APSR and reported in its financial statements. Note that in such circumstances, although two DoD Components may be recording the real property asset in their APSR, only one DoD Component is reporting the real property asset in its financial statement. For internal control and audit purposes, real property balances in the accounting system (which are reported in the financial statement) must be supported by auditable detailed records starting with a subsidiary ledger, in this case the APSR. Other documentation (vendor invoices,

	Question	Answer
		payment documentation, etc.) is also needed for audit purposes. However, as detailed in Section III General Guidance, Subsection H of the Policy, the DoD Component responsible for the financial reporting of the real property asset may obtain the APSR from another DoD Component who is maintaining the APSR because of its responsibilities under Title 10 USC §2682.
B	Why should the Installation Host cede ownership and reporting responsibility of a real property asset to another DoD Component because the DoD Component is the Primary Economic Beneficiary and has responsibility for sustainment requirements?	The Policy is not requiring a Military Department or WHS to cede "ownership" or jurisdiction to another entity or negate the Military Department or WHS's responsibility of maintaining the asset information in the accountable property system of record (APSR) pursuant to their responsibility under Title 10 USC §2682. The policy fosters Generally Accepted Accounting Principles (GAAP) through compliant financial reporting/accountability, which is dependent on the economic benefit derived from use of the real property asset and the responsibility for sustainment of that asset. OUSD FIAR considered a number of alternatives for an accounting policy to determine which DoD Component would report real property in its financial statements (including a review of past policies that were found to be non-compliant with GAAP). The new Policy meets the criteria for GAAP compliance whereby the DoD Component that is responsible for receiving, controlling, managing and utilizing government assets in performing its operations and program activities should report the asset on their financial statement (adapted from SFFAC #5) with the primary consideration being the utilization, economic benefit and sustainment of the real property asset.

	Question	Answer
		There is also other GAAP support for the new Policy documented in this Financial Statement Reporting for Real Property Policy Memorandum (the Policy) Appendix 5. The Policy also does not have an effect on funding of sustainment costs or on which DoD Component is responsible for carrying out and/or paying the costs of operating, sustaining, or improving a real property asset. Those functions remain governed by existing budgetary policies, and Support Agreements (e.g. InterService Support Agreement (ISSA); Memorandum of Agreement (MOA); Memorandum of Understanding (MOU)) between the parties involved. However, what the Policy does require, consistent with GAAP, is that the DoD Component receiving an economic benefit from Real Property Assets, for which it does not pay fully on a direct or reimbursable basis, must impute and record the value of such economic benefit.
C	How did OUSD(C) determine the Primary Economic Beneficiary being 90%?	The 90% is used as a threshold to establish the Primary Economic Beneficiary as described in the Financial Statement Reporting of Real Property Policy Memorandum (the Policy). While the 90% reflects the judgment of OUSD, it is not arbitrary but rather acknowledges that from an operations/economic benefit perspective there is a level of usage less than 100% which can constitute the Primary Economic Beneficiary. It is the concept of economic benefit along with the responsibility for sustainment that is the primary consideration in determining which DoD Component will report the real property asset in its financial statements. The Policy is consistent with

	Question	Answer
		Interpretation #6 of SFFAS #4 to include the full cost of goods/services received from another entity. As described in the Policy, the Primary Economic Beneficiary entity would record either directly or through imputed costs 100% of the value of the goods/services received (operations, sustainment, etc.) for their portion of the asset and 100% of the depreciation since they are recording 100% of the asset. DoD Components receiving economic benefits from real property who are not the Primary Economic Beneficiary record their proportionate share of these costs either directly or through imputed costs. OUSD is not establishing a de minimus "use percentage" for imputed costs primarily because of the variation in amounts which would be significant to DoD Components on a "stand alone" reporting basis.
D	A DoD Component occupies less than 90% of a building controlled by the Army. But, the DoD Component is currently recording the real property in their financial statement. What would the DoD Component do since they are not the Primary Economic Beneficiary Entity?	The asset acquisition costs and accumulated depreciation would be transferred, along with supporting documentation for the asset, from the DoD Component's financial statement to the financial statement of the DoD Component meeting the Primary Economic Beneficiary and sustainment responsibility criteria or to the financial statement of the installation host if no single DoD Component meets the Primary Economic Beneficiary and sustainment responsibility criteria. The DoD Component would then record any imputed cost going forward for any applicable depreciation, and non-reimbursed sustainment and operational expenses for the asset based on their percentage of use.

	Question	Answer
E	A DoD Component occupies 62% of a building (i.e., less than 90%) and the Component is not the Installation Host. The agreement between the DoD Components is that the DoD Component that occupies 62% of the building will pay for the 62% of the actual operation and maintenance costs of the building. Would the DoD Component that occupies 62% of the building record any imputed cost?	As actual costs for operations and sustainment are being paid directly by the DoD Component for their 62% usage, costs are already being reported by the DoD Component and therefore would not be imputed. However, the DoD Component should impute and report a cost proportionate to their use of space for any depreciation expense of a facility still being depreciated.

APPENDIX 2: DEPUTY CHIEF FINANCIAL OFFICER MEMORANDUM, FINANCIAL STATEMENT REPORTING FOR REAL PROPERTY

SCENARIO EXAMPLES FOR APPLYING THE FINANCIAL STATEMENT REPORTING FOR REAL PROPERTY POLICY

REAL PROPERTY SCENARIO (BUILDINGS)	APPLICATION OF FINANCIAL STATEMENT REPORTING POLICY
Defense Logistics Agency (DLA) • Property Location – Red River Army Depot • % Use of Real Property – DLA 100% • Responsibility for budgeting/programming sustainment and operating costs – DLA	• DLA meets the criteria for the Primary Economic Beneficiary at 100% use of the space. • DLA is responsible for sustainment and operating costs • DLA should report the asset, depreciation expense and accumulated depreciation in its financial statements
Special Operations Command (SOCOM) • Property Location – Fort Bragg • % Use of Real Property – SOCOM 100% • Responsibility for budgeting/programming sustainment and operating costs – Army	• SOCOM meets the criteria for the Primary Economic Beneficiary at 100% use of space • SOCOM does not meet the criteria for responsibility of sustainment and operating costs • Army as the installation host should report the asset in its financial statements because SOCOM does not meet <u>both</u> the Primary Economic Beneficiary and responsibility for sustainment and operating costs • SOCOM should impute costs for sustainment and operations, and depreciation proportionate to their use
Joint Base • Property Location – Joint Base McGuire-Dix-Lakehurst • % Use of Real Property – Army 100% • Responsibility for budgeting/programming sustainment and operating costs – Air Force	• Army meets the criteria for the Primary Economic Beneficiary at 100% use of space • Army does not meet the criteria for responsibility of sustainment and operating costs • Air Force as the installation host (supporting organization of the joint base) should report the asset in its financial statements because Army does meet <u>both</u> the Primary Economic Beneficiary and responsibility for sustainment and operating costs • Army should impute costs for sustainment and operations, and depreciation proportionate to their use

APPENDIX 3: DEPUTY CHIEF FINANCIAL OFFICER MEMORANDUM, FINANCIAL STATEMENT REPORTING FOR REAL PROPERTY

POLICY BACKGROUND INFORMATION

For many years the Department of Defense (DoD) has struggled with establishing, implementing and sustaining the consistent application of an accounting policy to record the initial cost and subsequent related costs of Real Property Assets and to report those costs on the appropriate DoD Component Financial Statements. A real property accounting policy must conform to applicable Generally Accepted Accounting Principles (GAAP) for financial statement reporting purposes. In recent years the following policy approaches have been issued by the DoD either as revisions directly to the DoD Financial Management Regulation (FMR) or as policy memoranda to supersede the FMR.

- **Preponderance-Of-Use Policy**: This policy was in effect prior to October 2010. In a March 28, 2008 report issued by the DoD Inspector General (IG) entitled "Control Over Army Real Property Financial Reporting" the IG concluded that the Preponderance-Of-Use Policy was not GAAP compliant. The IG noted that this policy did not comply with GAAP as established in Statement of Federal Financial Accounting Standards (SFFAS) No. 4 "Managerial Cost Accounting Standards and Concepts." The IG stated that the Preponderance-Of-Use Policy required the preponderant user (when there is more than one user of an asset, the user that has the greater percentage of usage – square feet of real property – normally would be the preponderant user) to record the full value of the assets on its financial statements, including the cost of operations incurred by other users; and that this policy overstated the cost of operations of the preponderant user and could understate the cost of operations for both the entity having financial control over the asset and other users of the asset. The IG further stated that in most cases, the entity that funds an asset is the controlling entity, unless it formally transfers the financial control of the asset to another entity after placing the asset in service. In Appendix B of its Report, the IG defines the controlling entity *"as the entity that is responsible and accountable for receiving, managing and using Government assets in relation to its program or operations. Typically, the legislation establishing a program, appropriation act funding it, or related laws clearly identify which entity is responsible for the program."*

- **Funding Entity Policy:** This policy went into effect October 2010 superseding the "Preponderance-Of-Use" policy. The Funding Entity policy required entities funding real property asset acquisitions to report the assets and associated depreciation expense on their financial statements. In a March 2013 DoD policy memorandum which superseded the Funding Entity policy (see below), the DoD noted that using funding of initial acquisition cost to determine the reporting entity causes assets that are no longer controlled by the funding Component to be reported improperly because such reporting is not in compliance with Statement of Federal Financial Accounting Concepts 5 “Definitions of Elements and Basic Recognition Criteria for Accrual Basis Financial Statements”.

- **Controlling Entity Policy:** The policy was issued by a memorandum from the Office of the Under Secretary of Defense (Comptroller) dated March 1, 2013. The policy superseded the Funding Entity Policy which was effective as of October 2010. The Controlling Entity policy requires that assets be reported on the financial statement of the entity which controls access to the economic benefits or services provided by the asset and therefore can obtain or deny or regulate access of other entities. Evidence of control may include the functional use of the asset (e.g. exclusive use of the asset); renovation or conversion; sustainment; and management of the space. The policy memorandum further notes that the designated accountable entity may be different than the entity which reports the real property asset on its financial statements.

In late calendar year 2014, the DoD began to consider another alternative approach for a revised policy on the financial reporting for Real Property Assets. This alternative approach is described below:

- **Title 10 Approach:** Title 10 United States Code (USC) §2682 Facilities for defense agencies subsections (a), (b) and (c) states:
  “(a) Maintenance and Repair – Subject to subsection (c), the maintenance and repair of a real property facility for an activity or agency of the Department of Defense (other than a military department) financed from appropriations for military functions of the Department of Defense will be accomplished by or through a military department designated by the Secretary of Defense.”
  “(b) Jurisdiction – Subject to subsection (c), a real property facility under the jurisdiction of the Department of Defense which is used by an activity or agency of the Department of Defense (other than a military department) shall be under the jurisdiction of a military department designated by the Secretary of Defense.”
  “(c) Facilities for Intelligence Collection or for Special Operations Abroad – The Secretary of Defense may waive the requirements of subsections (a) and (b) if necessary to provide security for authorized intelligence collection or special operations activities abroad undertaken by the Department of Defense.”

  The Title 10 Approach to financial reporting for Real Property Assets interprets 10 §USC to require that real property be reported solely on the financial statements of the Military Departments and Washington Headquarters Services (WHS). However, the DoD received a legal opinion (according to the OIG 2008 Report entitled “Controls Over Army Real Property Financial Reporting”) which clarified that the financial reporting of

Real Property Assets was separate from the requirements of 10 USC §2682. Further, the DoD's responsibility to adhere to the jurisdiction requirement set out in 10 USC §2682 can be accomplished by having the Military Departments and WHS serve as the Accountable Entity for DoD real property. The Accountable Entity is required to maintain current, complete and accurate detailed real property information in its Accountable Property System of Record (APSR).

APPENDIX 4: DEPUTY CHIEF FINANCIAL OFFICER MEMORANDUM, FINANCIAL STATEMENT REPORTING FOR REAL PROPERTY

DEFINITIONS

As used in this policy memorandum, the following definitions apply:

Accountable Entity - The Military Department having jurisdiction over the real property in accordance with Title 10 USC §2682, is referred to as the "accountable entity" and is required to record the real property asset in their Accountable Property System of Record (APSR). The accountable entity may or may not be the entity that reports the real property on its financial statements.

Acquiring Entity – The DoD Component(s) acquiring the real property through construction, purchase, or other means of acquisition of a real property asset.

Building – A roofed and floored facility enclosed by exterior walls and consisting of one or more levels that is suitable for single or multiple functions and that protects human beings and their properties from direct harsh effects of weather such as rain, wind, sun, etc.

DoD Component(s) – The Office of the Secretary of Defense, the Military Departments (including their Reserve components), the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities in the Department of Defense (hereafter referred to collectively as the 'DoD Components').

Facility – A building, structure, or linear structure whose footprint extends to an imaginary line surrounding a facility at a distance of 5 feet from the foundation that, barring specific direction to the contrary such as a utility privatization agreement, denotes what is included in the basic record for the facility (e.g., landscaping, sidewalks, utility connections). This imaginary line is commonly referred to as the "5-foot line." A facility will have an Real Property Unique Identifier (RPUID) received from the Real Property Unique Identifier Registry (RPUIR) and is entered into a Service Real Property Inventory (RPI) system as a unique real property record.

Installation Host – Installation Host is a term used by the DoD to describe the Military Service or Washington Headquarter Services (WHS) on whose installation a real property asset is located. An Installation Host may be either a general fund or a working capital fund operation.

Land –A portion of the Earth's surface distinguishable by boundaries. Land must be accountable by parcel starting when the parcel was transferred into a Military Department's or the Washington Headquarters Services' custody and control.

Linear Structures – A facility whose function requires that it traverse land (such as a road, rail line, pipeline, fence, and pavement). Linear Structures include distribution systems that provide a common service or commodity to more than one building or structure.

Memorandum of Agreement (MOA) – A type of intra-agency, interagency, or National Guard agreement between two or more parties, which includes specific terms that are agreed to, and a commitment by at least one party to engage in action. It includes either a commitment of resources or binds a party to a specific action.

Memorandum of Understanding (MOU) – A type of intra-agency, interagency, or National Guard agreement between two or more parties, which includes only general understandings between the parties. It neither includes a commitment of resources nor binds a party to any specific action.

Military Departments – The Military Departments are the Army, Navy (including the United States Marine Corps) and Air Force; and, for the purpose of real property reporting, Military Departments includes the Washington Headquarter Services (WHS).

Other Defense Organizations (ODO) – Any agency/organization of the DoD other than a Military Department or the Washington Headquarter Services.

Primary Economic Beneficiary– The DoD Component using at least 90% of the capacity of the real property asset to conduct its operations and carry out its mission/programs.

Real Property Assets – Consists of buildings, structures, linear structures and land.

Reporting Entity – The DoD Component which reports the real property asset and/or associated costs on its financial statements. Note that the term "financial statements" is used broadly in this definition to include the general ledger and trial balance of the Component irrespective of whether formal financial statements are routinely derived directly or indirectly from those records.

Stewardship Land – Land and land rights owned by the Federal Government that are not acquired for or in connection with items of general property, plant and equipment.

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

Sustainment – The maintenance and repair activities necessary to keep an inventory of facilities in good working order. It includes regularly scheduled adjustments and inspections, preventive maintenance tasks and emergency response and service calls for minor repairs. It also includes major repairs or replacement of facility components that are expected to occur periodically throughout the life cycle of facilities. Examples of this work include, but are not limited to, regular roof replacements, refinishing of wall surfaces, repairing and replacement of heating and cooling systems, replacing tile and carpeting, and similar types of work.

APPENDIX 5: DEPUTY CHIEF FINANCIAL OFFICER MEMORANDUM, FINANCIAL STATEMENT REPORTING FOR REAL PROPERTY

CONSIDERATION OF RELEVANT GAAP PRONOUNCEMENTS SUPPORTING THE FINANCIAL STATEMENT REPORTING FOR REAL PROPERTY ACCOUNTING POLICY

1. **Section A of the March 28, 2008 Office of Inspector General (OIG) Report "Controls Over Army Real Property Financial Reporting" (the OIG Report)** noted that a DoD GAAP compliant policy should include:
    - a. *Reporting assets on the controlling entities financial statements. Controlling entity is defined in Appendix B as "the entity that is responsible and accountable for receiving, managing, and using government assets in relation to its program or operations. Typically, the legislation establishing a program, appropriations act funding it, or related laws clearly identify which entity is responsible for the program."*
    - b. *Allocate costs to the appropriate users based on their use of assets*

    DoD's definition of the Primary Economic Beneficiary along with the responsibility for sustainment requirements as the entity receiving, managing and using government assets in relation to its programs or operations being the key considerations to determine the reporting of real property is consistent with point (1) (a) above from the OIG.

    The Policy is also consistent with the OIG's point (1) (b) above as it requires all users of the real property who do not pay (directly or through reimbursement) for the full costs associated with their use of the real property to impute and report such costs.

    The OIG Report Section A further noted that, in most cases, the entity that funds an asset is the controlling entity, unless it formally transfers the financial control of the asset to another entity after placing the asset in service. DoD's Policy as set out in this Memorandum is consistent with this concept as it requires the funding entity (acquiring entity) to initially record the real property and then transfer out the real property if another DoD Component becomes the Primary Economic Beneficiary with responsibility for sustainment requirements.

2. **Statement of Federal Financial Accounting Concepts 5: Definitions of Elements and Basic Recognition Criteria For Accrual-Basis Financial Statements**
    - ***a.*** **Paragraph 12:** *Sometimes a question may arise as to which component entity should report a particular item. Typically a review of the authorizing legislation establishing a government program or activity, the appropriations act funding it, and related federal laws, regulations or other executive issuances clearly*

identifies one component entity as having a comprehensive relationship to the program or activity. That is, the component entity is responsible and accountable for receiving, controlling, managing, and utilizing government assets or incurring liabilities on behalf of the government in performing operations related to the program or activity. When a component entity has such a comprehensive relationship, the assets and other elements should be reported by that component entity.

DoD's definition of the Primary Economic Beneficiary entity as the organization using the real property asset to derive economic benefit from the asset to support its mission and programs is consistent with the definition above in Paragraph 12 of SFFAC No. 5. In addition, the dual requirement for having responsibility for sustainment requirements is consistent with the controlling and managing the asset as described in Paragraph 12 of SFFAC No. 5.

b. **Paragraph 13:** *When no component entity has a comprehensive relationship to a government program or activity, the assets and other elements involved should be reported by the component entity most responsible for managing them. For example, assume that two component entities support a single program to which neither has a comprehensive relationship. If one of the component entities has acquired and has some control over a government asset but the other component entity presently manages and utilizes the asset as part of its routine operations, the second component entity should report the asset…….*

The Policy requires that the DoD Component reporting the real property asset in its financial statements must be responsible for sustainment requirements of the asset which is consistent with" the asset being reported by the component entity most responsible for managing them" as stated in Paragraph 13 of SFFAC No. 5.

c. **Paragraph 24:** *…… Whereas access to economic benefits or services often is obtained through legal ownership of the underlying item of property, legal rights to economic benefits or services can be obtained without the ownership of the property – for example under certain lease arrangements.*

DoD's definition of the Primary Economic Beneficiary entity as the organization using the real property asset to derive economic benefit from the asset to support its mission and programs is consistent with the definition above in Paragraph 24 of SFFAC No. 5. The arrangements for use of space between DoD Components may be evidenced by lease agreements, InterService Support Agreements, memorandums of agreement/understanding or similar arrangements.

d. **<u>Paragraph 28:</u>** *The economic benefits or services embodied in resources may be shared by the government and another entity through specific arrangements. For example, the government and another entity may enter into a joint venture and share an interest in the resources committed to the joint venture. If so, each party may possess assets comprising its respective share of the benefits or services. Similarly, lease agreements unbundle the economic benefits or services embodied in leased property and may, for example, give the lessee the right to hold and use the property and the lessor the right to receive rentals and any residual value. Thus, both parties may have assets corresponding to their respective rights.*

The accounting guidance set out above for "Joint Venture" arrangements can be applied to situations where a DoD Component jointly funds the acquisition or construction of a real property asset with a NAFI. Consistent with Paragraph 28 of SFFAC No. 5 where both parties may have "recordable" assets corresponding to their rights in a single asset, the DoD Component would record a part of the real property asset equal to its share of the funding.

e. **<u>Paragraph 30:</u>** *The ability of the federal government to control access to the economic benefits or services embodied in a resource normally stems from legal rights and may be evidenced by title deeds, contractual agreements, possession, or other devices that protect the government's interests. However, legal enforceability of a right is not a prerequisite to the establishment of control of access to economic benefits or services, because the government may be able to exercise control in other ways.*

The DoD Policy encompasses the concepts in Paragraph 30 SFFAC No. 5 in describing the characteristics of the Primary Economic Beneficiary.

f. **<u>Appendix B – Glossary:</u>** *Control: the ability of the federal government or a component entity to obtain the economic benefits or services embodied in a resource and to deny or regulate the access of others.*

The SFFAC No. 5 definition is consistent with the concept of the Primary Economic Beneficiary being one of two considerations in the Policy for determining financial statement reporting responsibility. The Primary Economic Beneficiary must also have responsibility for sustainment requirements. In cases where no DoD Component meets this dual requirement, the secondary consideration is control by the Installation Host.

4. **Statement of Federal Financial Accounting Standards No. 4 – Managerial Cost Accounting Standards and Concepts**

   a. **Summary Section:** *Full cost – reporting entities should report the full costs of outputs in general purpose financial reports. The full cost of an output produced by a responsibility segment is the sum of (1) the costs of resources consumed by the segment that directly or indirectly contribute to the output, and (2) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity, and by other reporting entities. Paragraph 78 also states: A responsibility segment is a component of a reporting entity that is responsible for carrying out a mission, conducting a major line of activity, or producing one or a group of related products or services.*

   b. **Paragraph 108:** *If an entity provides goods or services to another entity, regardless of whether full reimbursement is received, the providing entity should continue to recognize in its accounting records the full cost of those goods or services. The full costs of the goods or services provided should also be reported to the receiving entity by the providing entity.*

   c. **Paragraph 109:** *The receiving entity should recognize in its accounting records the full cost of goods or services it receives as an expense or, if appropriate, as an asset (such as work-in-progress inventory). The information on costs of non-reimbursed or under-reimbursed goods or services should be available from the providing entity. However, if such cost information is not provided, or is partially provided, a reasonable estimate may be used by the receiving entity. The estimate should be of the cost of the goods or services received (the estimate may be based on the market value of the goods or services received if an estimate of the cost cannot be made). To the extent the reimbursement is less than full cost, the receiving entity should recognize the difference in its accounting records as a financing source. Inter-entity expenses/assets and financing sources would be eliminated for any consolidated financial statements covering both entities.*

   The DoD Policy requires DoD Components using real property and receiving economic benefit from that use to impute a cost for those benefits and to record that cost and a corresponding financing resource in those instances where they do not fully pay/reimburse the Entity paying for such goods and services. These costs include use of the space (depreciation) and related costs for sustainment and operation of the real property. In addition the Policy directs the entity incurring these costs to continue to record and report them. This is consistent with SFFAS No. 4 Summary Section, Paragraph 108 and Paragraph 109 above.

   In addition, the last sentence of Paragraph 109 above in conjunction with the Interpretation No. 6 of SFFAS No. 4 (below) clarifying the application of the standard to intra- departmental costs (between DoD Components) supports the elimination of imputed costs and financing resources of the Components in the preparation of consolidated financial statements noted in the Policy.

5. **<u>Interpretation of Federal Financial Accounting Standards 6 (Interpretation 6): Accounting for Imputed Intra-Departmental Costs: An Interpretation of SFFAS No. 4; and, Statement of Federal Financial Accounting Standards No. 4 – Managerial Cost Accounting Standards and Concepts (SFFAS No. 4)</u>**
    a. *SFFAS No. 4 – Paragraph 109- ….Inter-entity expenses/assets and financing sources would be eliminated for any consolidated financial statements covering both entities.*
    b. *Interpretation 6 – Paragraph 13 – Reporting entities should account for and recognize imputed intradepartmental costs in accordance with the full cost provisions of SFFAS No. 4. To account for the full cost of a program and its output(s), reporting entities should recognize imputed intra-departmental costs.*

    The combination of citations from SFFAS No. 4 and Interpretation 6 supports the requirement that intra-departmental costs (DoD to DoD Components) that are not fully reimbursed should be imputed and further that intra-departmental imputed costs and financing resources of the Components should be eliminated in the preparation of the DoD consolidated financial statements.

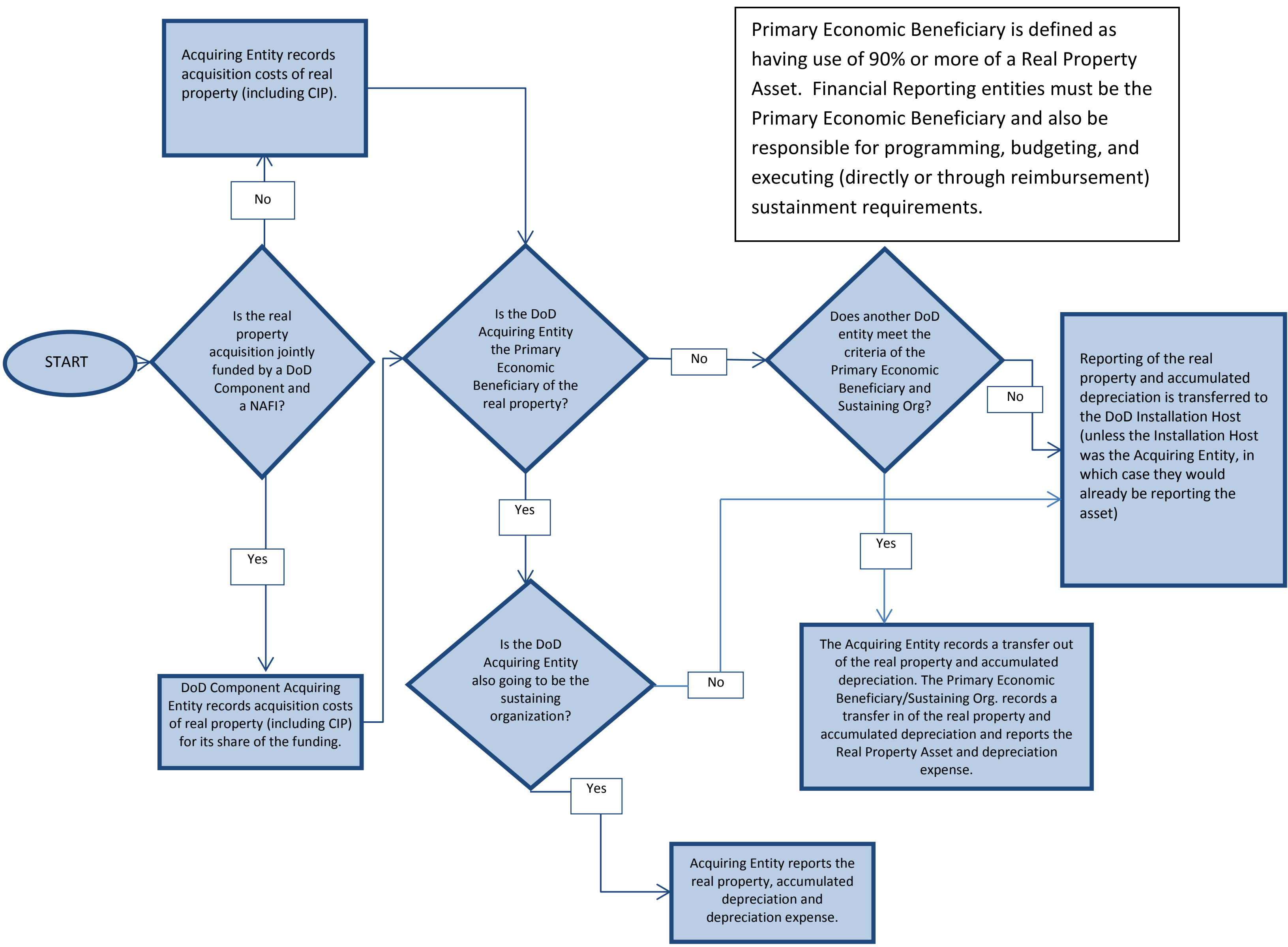
6. **<u>Statement of Federal Financial Accounting Standards – Appendix E Glossary</u>**
    a. *Assets – tangible or intangible items owned by the federal government which would have probable economic benefits that can be obtained or controlled by a federal entity – adapted from the FASB Statement of Concepts No. 6 Elements of Financial Statements*
    b. *Actual Custody – physical possession and control of property by government personnel*

    These definitions are consistent with the narrative and descriptions in the Policy which emphasizes control being evidenced by economic benefit realized by the DoD Component in carrying out its operations and programs is a significant consideration for determining which DoD Component should report Real Property Assets in its financial statements.

APPENDIX 6: DEPUTY CHIEF FINANCIAL OFFICER MEMORANDUM, FINANCIAL STATEMENT REPORTING FOR REAL PROPERTY

DECISION TREE FOR DETERMINING THE FINANCIAL REPORTING ENTITY FOR REAL PROPERTY ASSETS

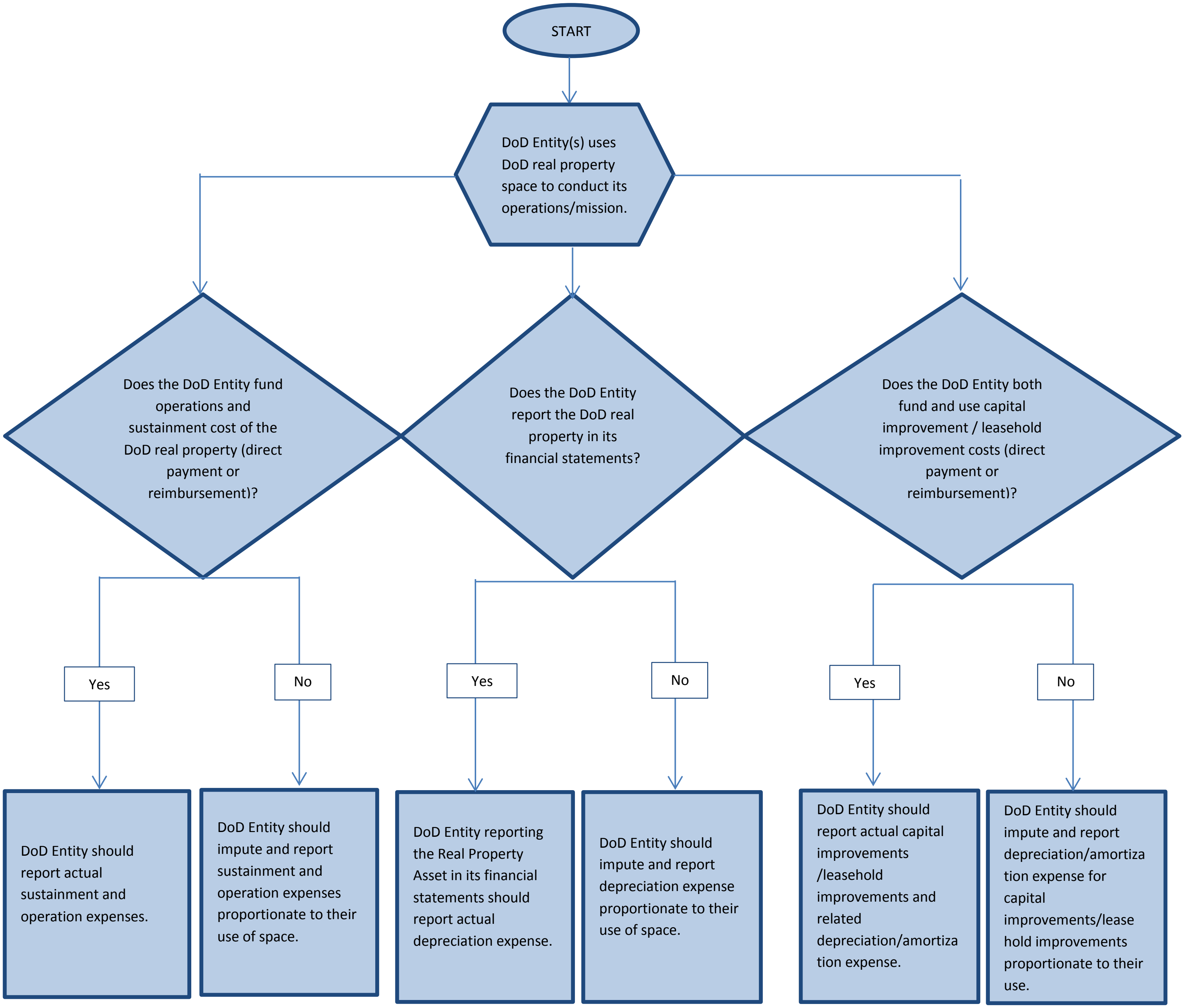
The following decision tree provides an illustrative guide for applying the Policy to determine which DoD Entity would be the Financial Reporting Entity for a Real Property Asset based on specific business case scenario attributes.



APPENDIX 7: DEPUTY CHIEF FINANCIAL OFFICER MEMORANDUM, FINANCIAL STATEMENT REPORTING FOR REAL PROPERTY

DECISION TREE FOR DETERMINING IMPUTED COSTS

The following decision tree provides an illustrative guide for applying the Policy to determine what real property related costs should be imputed and reported by a DoD Entity(s) based on specific business case scenario attributes.



Note 1: With regard to imputed costs, if only partial direct payment or reimbursement is made by the DoD entity, it would record an imputed cost for the difference between the full value/benefit received and the direct payment or reimbursement.
Note 2: Quantitative information for imputing costs should be provided by the DoD entity incurring those costs (i.e., depreciation, amortization, operation costs and sustainment costs).