

***VOLUME 4, CHAPTER 28: “HERITAGE ASSETS, MULTI-USE HERITAGE ASSETS AND STEWARDSHIP LAND”**

SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

Substantive revisions are denoted by an asterisk (*) 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**.

This is the initial publication.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter contains updated policy for heritage assets, multi-use heritage assets and stewardship land; and supersedes policy contained in Volume 4, Chapter 6 dated June 2009 related to heritage assets, multi-use heritage assets and stewardship land.	New Chapter
Policy Memo	The Deputy Chief Financial Officer’s policy memorandum, “Elimination of Military Equipment Definition and Increase to Capitalization Thresholds for General Property, Plant and Equipment,” dated September 20, 2013, was incorporated into the chapter as applicable.	Revision
Policy Memo	The Deputy Chief Financial Officer’s policy memorandum, “Requests to Increase Capitalization Thresholds,” dated March 14, 2014, was incorporated into the chapter as applicable.	Revision
Policy Memo	The Deputy Chief Financial Officer’s policy memorandum, “Financial Reporting Policy for Real Property Estimated Useful Lives, Land Valuation, and Accounting for Real Property Outside of the United States,” dated June 27, 2016, was incorporated into the chapter as applicable.	Revision

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CHAPTER 28*HERITAGE ASSETS, MULTI-USE HERITAGE ASSETS AND STEWARDSHIP LAND**

2801 GENERAL

280101. Purpose

This chapter prescribes Department of Defense (DoD) accounting policy for heritage assets, multi-use heritage assets and stewardship land, which are subsets of property, plant and equipment (PP&E). Within PP&E, two categories have been defined for accountability and financial reporting purposes. The categories are: (1) general PP&E which includes multi-use heritage assets; and, (2) stewardship PP&E. Stewardship PP&E includes heritage assets and stewardship land. The applicable general ledger accounts are listed in the United States Standard General Ledger (USSGL) discussed in Volume 1, Chapter 7. Both the DoD Standard Chart of Accounts and the accounting entries for these accounts are specified in the DoD USSGL Transaction Library. Unless otherwise stated, this chapter is applicable to all DoD Components, including Working Capital Fund (WCF) activities.

280102. Authoritative Guidance

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

- A. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 1, “Accounting for Selected Assets and Liabilities”;
- B. FASAB SFFAS 5, “Accounting for Liabilities of the Federal Government”;
- C. FASAB SFFAS 6, “Accounting for Property, Plant, and Equipment”;
- D. FASAB SFFAS 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting”;
- E. FASAB SFFAS 29, “Heritage Assets and Stewardship Land”;
- F. FASAB SFFAS 40, “Definitional Changes Related to Deferred Maintenance and Repairs: Amending Statement of Federal Financial Accounting Standards 6, Accounting for Property, Plant and Equipment”;
- G. FASAB SFFAS 42, “Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29, and 32”;
- H. FASAB SFFAS 44, “Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use”;

- I. FASAB SFFAS 50, “Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35”;
- J. FASAB SFFAS 55, “Amending Inter-entity Cost Provisions”;
- K. FASAB Federal Financial Accounting and Auditing Technical Release (TR) 9, “Implementation Guide for SFFAS 29: Heritage Assets and Stewardship Land”;
- L. FASAB TR 13, “Implementation Guide for Estimating the Historical Cost of General Property, Plant & Equipment”;
- M. FASAB TR 14, “Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment”;
- N. FASAB TR 15, “Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation”;
- O. Office of Management and Budget Circular No. A-136, “Financial Reporting Requirements”;
- P. DoD Instruction (DoDI) 4165.14, “Real Property Inventory (RPI) and Forecasting”;
- Q. DoDI 4165.70, “Real Property Management”;
- R. DoDI 4715.16, “Cultural Resources Management”;
- S. DoDI 5000.64, “Accountability and Management of DoD Equipment and Other Accountable Property”;
- T. Title 54 United States Code, Section 306131 (54 U.S.C. § 306131), “Standards and Guidelines”;
- U. Code of Federal Regulations, Title 36, Chapter 1, Part 60, National Register of Historic Places, Section 60.4 Criteria for Evaluation; and
- V. Treasury Financial Manual (TFM) Volume 1, Part 2, Chapter 4700 "Agency Reporting Requirements for the Financial Report of the United States Government."

2802. ACCOUNTING FOR HERITAGE ASSETS, MULTI-USE HERITAGE ASSETS AND STEWARDSHIP LAND

280201. Definitions

- A. Heritage Assets. Heritage assets are PP&E that are unique for one or more of the following reasons:

1. Historical or natural significance;
2. Cultural, educational, or artistic (e.g., aesthetic) importance; or
3. Significant architectural characteristics.

Heritage assets consist of (1) collection-type heritage assets, such as objects gathered and maintained for exhibition, for example, museum collections, art collections, and library collections; and (2) non-collection-type heritage assets, such as memorials, monuments, and buildings. Cultural resources and historic properties, as defined in DoDI 4715.16, may be categorized as heritage assets for financial accounting purposes, if they have the attributes of heritage assets as described in this definition.

B. Multi-use Heritage Assets. Heritage assets may in some cases serve two purposes: (a) a heritage function and (b) a government operations function. In cases where a heritage asset serves two purposes, and the predominant use of the asset is in general government operations, the heritage asset should be considered, and classified as, a multi-use heritage asset (e.g., the main Treasury building used as an office building). Another example of a multi-use heritage asset is the Pentagon, which has been listed on the National Register of Historic Places and also is used as an office building. Heritage assets having an incidental (i.e., not significant or predominant) use in government operations are not considered and are not classified as multi-use heritage assets; they are simply heritage assets. Cultural resources and historic properties, as defined in DoDI 4715.16, may be categorized as multi-use heritage assets for financial accounting purposes, if they have the attributes of multi-use heritage assets as described in this definition.

C. PP&E: PP&E consists of tangible assets, including land, that meet the following criteria – (i) they have estimated useful lives of two years or more; (ii) they are not intended for sale in the ordinary course of operations; and, (iii) they have been acquired or constructed with the intention of being used, or being available for use by the entity.

D. Stewardship Land. Stewardship land includes land and land rights owned by the Federal Government but not acquired for or in connection with the acquisition or construction of real property facilities. Examples of stewardship land include public land withdrawn for military purposes such as buffer zones and land used for forests, wildlife or grazing.

E. Materiality. 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 inclusion or correction of the item. Since the value of heritage assets and stewardship land are expensed when acquired, the focus for considering their materiality should be based on the DoD required accountability for the asset.

280202. Relevant USSGL Accounts

A. Land and Land Rights (USSGL 171100). The amount of identifiable cost of land and land rights of unlimited duration acquired for or in connection with general property, plant and equipment used in general operations and permanent improvements. Stewardship land (national park or forest and land in public domain), materials beneath or above the surface, and Outer Continental Shelf resources are excluded. Under SFFAS 50, entities can elect to expense land and land rights. If this election is made, there would not be an amount for land and land rights recorded in this USSGL account.

B. Construction-in-Progress (USSGL 172000). The Construction-in-Progress (CIP) account is used to accumulate the costs of new construction of general PP&E (except for internal use software) and capital improvements while the asset is under construction. CIP accounts include all costs (i.e., direct labor, direct material, supervision, inspection and overhead) incurred in construction. Upon completion, these costs will be transferred to the appropriate general PP&E account.

C. Buildings, Improvements, and Renovations (USSGL 173000). The Buildings, Improvements, and Renovations account is used to record the cost, fair value or appraised value of DoD-owned buildings acquired and building improvements which are used in providing DoD services or goods. This account also includes the cost of renovation, improvement or restoration of multi-use heritage assets classified as buildings after transfer from the CIP account.

D. Accumulated Depreciation on Buildings, Improvements, and Renovations (USSGL 173900). The Accumulated Depreciation on Buildings, Improvements, and Renovations account is used to record the amount of accumulated depreciation charged to expense for assets and improvements recorded in the USSGL 173000 account.

E. Other Structures and Facilities (USSGL 174000). The Other Structures and Facilities account is used to record the cost, fair value or appraised value of DoD-owned structures and linear structures and structures and linear structure improvements which are used in providing DoD services or goods. This account also includes the cost of renovation, improvement or restoration of multi-use heritage assets classified as structures or linear structures after transfer from the CIP account.

F. Accumulated Depreciation on Other Structures and Facilities (USSGL 174900). The Accumulated Depreciation on Other Structures and Facilities account is used to record the amount of accumulated depreciation charged to expense for assets and improvements recorded in the USSGL 174000 account.

G. Equipment (USSGL 175000). The Equipment account is used to record the capitalized cost of tangible equipment items of a durable nature that are used by DoD in providing goods and services.

H. [Accumulated Depreciation on Equipment \(USSGL 175900\)](#). The Accumulated Depreciation on Equipment account is used to record the amount of accumulated depreciation charged to expense for assets recorded in the USSGL 175000 account.

I. [General Property, Plant and Equipment Permanently Removed but Not Yet Disposed \(USSGL 199500\)](#). The General Property, Plant, and Equipment Permanently Removed but Not Yet Disposed account is used to record the value of general PP&E assets which have been permanently removed from service. Upon permanent removal from service, general PP&E assets must be recorded at their expected net realizable value (NRV) and must cease to be depreciated. See paragraph 280210.B.3 for guidance on reporting general PP&E assets which have been permanently removed from service.

J. [Depreciation, Amortization and Depletion \(USSGL 671000\)](#). The expense recognized by the process of allocating costs of an asset (tangible or intangible) over the period of time benefited or the asset's useful life is recorded in this account.

280203. Heritage Assets

A. [As described in subparagraph 280201.A](#), heritage assets are PP&E that are unique for one or more of the following reasons:

1. Historical or natural significance;
2. Cultural, educational, or artistic (e.g., aesthetic) importance; or
3. Significant architectural characteristics.

B. Heritage assets are generally expected to be preserved indefinitely.

C. The cost or value should not serve as a precursor when deciding if an asset should be classified as a heritage asset. DoD Components should refer to [cultural resources and collections policies](#), published registers, and [consult with DoD subject matter experts \(i.e., the DoD cultural resources or museum staffs\)](#), when making this assessment. Designation of a PP&E asset ([including such assets as museum, library and art collections](#)) as a heritage asset can be done at any time in its life-cycle, based on application of evaluation criteria [by qualified staff](#). Historic significance may be identified if a property/asset meets at least one of the following criteria [adapted from](#) the National Register of Historic Places as determined by the relevant DoD Component with concurrence by the relevant State Historic Preservation Officer, or as determined by the [guidelines of the National Register of Historic Places in the Code of Federal Regulations, Title 36, Part 60, Section 60.4](#):

1. Association with historic events or activities [that have made a significant contribution to the broad patterns of our history](#) (e.g., battles, development of military technology, prehistoric cultural patterns);

2. Association with [the lives of significant historic](#) persons (e.g., important military leaders, political leaders, inventors);

3. Distinctive design or physical characteristics [of a type, period, or method of construction](#) (e.g., work of a master architect, landscape architect, planner, or engineer; work representative of a particular approach to military design or a particular type or style of architecture or engineering; a formative example of standardized planned military housing); or

4. Potential to provide important information about prehistory or history (e.g., an archeological site on a military installation).

D. [As contrasted with multi-use heritage assets \(see subparagraph 280201.B\), heritage assets are not used predominantly in general government operations.](#)

280204. Stewardship Land

A. Land and land rights owned by the Federal Government but not acquired for, or in connection with [the acquisition or construction of real property facilities](#), is stewardship land.

B. “Acquired for or in connection with” is defined as including land [or land rights](#) acquired with the intent to construct general PP&E and land [or land rights](#) acquired in combination with general PP&E.

C. Land is defined as the solid part of the surface of the earth. Excluded from the definition are natural resources (e.g., depletable resources, such as mineral deposits and petroleum, renewable resources such as timber and the outer continental shelf resources) related to land.

D. Land and land rights owned by DoD or a DoD Component, but not acquired for or in connection with [real property facilities must](#) be reported as stewardship land.

E. Land and land rights owned by DoD or a DoD Component, and acquired for or in connection with [real property facilities must](#) be accounted for and reported as general PP&E [and expensed under SFFAS 50, if elected.](#)

F. Land rights are interests and privileges held by DoD or a DoD Component, in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights, and other like interests in land.

G. [Some heritage assets will meet the definitions of, and be considered and reported as, both heritage assets and stewardship land. Such reporting would not be considered duplication as the type of information reported on the physical unit would be different for each category of stewardship asset \(i.e., heritage assets and stewardship land.\)](#)

280205. Acquisition/Valuation

A. Heritage Assets and Stewardship Land

1. The cost of acquiring heritage assets and stewardship land are expensed in the period incurred. The cost must include all costs incurred to bring the asset to a form and location suitable for its intended use.

2. Maintenance or renovation contracts, historical maintenance records or a history of payment of invoices, minutes of meetings, historical data bases, surveys of land records, a history of past/historical practices (e.g., establishing defacto ownership), or other relevant sources of information may provide acceptable alternative evidence of government ownership of heritage assets and stewardship land.

B. Multi-use Heritage Assets

1. Recorded Cost. When acquiring a multi-use heritage asset, which is a subset of general PP&E, the recorded cost must be recognized in accordance with paragraph 280206. The recorded cost of multi-use heritage assets is the basis for computing depreciation (if applicable). The method of acquisition determines the cost recorded for multi-use heritage assets, which are part of general PP&E, as described in subparagraph 280205.B.6. The recorded cost must include all amounts paid to bring the asset to its form and location suitable for its intended use, including the costs of any embedded items and/or integral software plus ancillary costs. This subparagraph defines and prescribes the use of acquisition cost, net book value, fair value, ancillary costs, and recorded cost when recording the cost of newly acquired multi-use heritage asset items.

2. Acquisition Cost. For the purposes of this chapter, acquisition cost refers to the original purchase, construction, or development cost; net of (less) any purchase discounts. Purchase discounts lost and late payment interest expenses must not be included as a cost of the asset; rather, such costs must be recognized as operating expenses.

3. Net Book Value. Net Book value is the recorded cost of a general PP&E asset, less its accumulated depreciation.

4. Fair Value. Fair value is the amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

5. Ancillary Costs. Ancillary costs are included in the recorded cost in addition to the acquisition cost of the asset. These costs are identifiable and necessary to bring the asset to its form and location suitable for its intended use including other direct and indirect costs. Examples include:

a. Government-furnished property installed in end items (e.g., engines installed in aircraft);

- b. An appropriate share of the cost of government-furnished materials used in the production of end items;
- c. Transportation charges to the point of initial use;
- d. Handling and storage costs;
- e. Labor and other direct or indirect production costs (for assets produced or constructed);
- f. Engineering, architectural, and other outside services for designs, plans, specifications, and surveys;
- g. Acquisition and preparation costs of buildings and other facilities;
- h. An appropriate share of the cost of the equipment and facilities used in construction work;
- i. Fixed equipment and related installation costs required for activities in a building or facility;
- j. Direct costs of inspection, supervision, and administration of construction contracts and construction work;
- k. [Allowable](#) direct cost of maintaining the Program Management Office, if material;
- l. Legal and recording fees and damage claims;
- m. Fair value of facilities and equipment donated to the [DoD](#);
- n. [Material amounts of interest paid directly to providers of goods or services related to the acquisition or construction](#) (not including late payment interest penalties); and
- o. A prorated share of nonrecurring cost associated with the development and production of the [property](#).

6. [The method of acquisition determines the cost recorded for multi-use heritage assets, which are a part of general PP&E.](#)

- a. [Purchased General PP&E](#). The cost to be recorded for [assets](#) acquired by purchase from a third party (private, commercial, or government) [is its purchase contract cost plus applicable ancillary costs. Examples of ancillary costs are included in the listing](#)

in subparagraph 280205.B.5. For purposes of this guidance, purchase includes procurements by cash, check, or installment or progress payments on contracts.

b. Constructed General PP&E. The cost to be recorded for constructed items is the sum of all the costs incurred to bring the item(s) to a form and condition suitable for their intended use. These include costs incurred after project design authorization for actual construction such as labor, materials, and overhead costs. Note that preliminary planning costs accumulated prior to design authorization must be expensed and not be captured as part of the recorded cost of constructed items.

c. Donated General PP&E. The cost to be recorded for general PP&E acquired through donation, execution of a will, or judicial process excluding forfeiture must be its estimated fair value (except for land expensed under SFFAS 50, if elected) at the time acquired by the DoD.

d. Exchanged General PP&E. The cost to be recorded for general PP&E acquired through exchange between the DoD and a nonfederal entity is the fair value of the consideration surrendered at the time of exchange. If the fair value of the general PP&E acquired is more readily determinable than that of the consideration surrendered, the cost will be the fair value of the general PP&E acquired. If neither fair value can be determined, the cost of the general PP&E acquired will be the cost recorded for the consideration surrendered, net of any accumulated depreciation. Any difference between the net recorded amount of the consideration surrendered and the cost of the general PP&E acquired must be recognized as a gain or loss. In the event that cash consideration is included in the exchange, the cost of general PP&E acquired will be increased by the amount of cash consideration surrendered or decreased by the amount of cash consideration received. If the DoD Component enters into an exchange in which the fair value of the general PP&E acquired is less than that of the consideration surrendered, the general PP&E acquired will be recognized at the amount of the consideration surrendered, as described previously and subsequently reduced to its fair value. A loss must be recognized in an amount equal to the difference between the amount of the consideration surrendered for the general PP&E acquired and its fair value. This guidance on exchanges applies only to exchanges between a DoD Component and a nonfederal entity. Exchanges between a DoD Component and another DoD Component or federal agency must be accounted for as a transfer.

e. Capital Leases. The recorded cost of general PP&E acquired under a capital lease is the present value of the rental and other minimum lease payments during the lease term, excluding that portion of the payments representing executory cost (e.g., insurance, maintenance and taxes) to be paid by the lessor. The present value is the value of future cash flows (e.g., lease payments) discounted to the present at a certain interest rate (such as the reporting entity's cost of capital), assuming compound interest. However, if the amount so determined exceeds the fair value of the leased property at the inception of the lease, the amount recorded will be the fair value. If the portion of minimum lease payments representing executory cost is not determinable from the lease provisions, the amount should be estimated.

f. Seized and Forfeited General PP&E. The cost recorded for general PP&E items acquired through seizure or forfeiture is its fair value, less an allowance for any liens or claims from a third party.

g. Vested and Seized Property During Times of War. See Volume 12, [Chapter 29](#), for discussion of vested and seized property during times of war.

h. Transferred General PP&E. The cost recorded for general PP&E transferred from another DoD Component or federal agency is the cost recorded on the transferring entity's books for the general PP&E, and its accumulated depreciation. If the receiving DoD Component cannot reasonably ascertain those amounts, the cost of the asset will be its fair value at the time of transfer.

i. General PP&E Acquired by Trade-In. The cost to be recorded for general PP&E acquired when trading in another PP&E asset is the sum of the net book value of the asset(s) traded plus (minus) any cash paid (received) or liabilities assumed (relinquished) for the new asset. The net book value is the recorded cost of a general PP&E asset, less its accumulated depreciation.

280206. Recognition and Measurement

All [heritage assets](#), [multi-use heritage assets](#), and [stewardship land](#) acquired by DoD Components must be recognized for accountability (in accordance with [DoDI 4165.14](#), [DoDI 4165.70](#), and [DoDI 5000.64](#)) and financial reporting purposes. Recognition requires the proper accounting treatment (expense or capitalization with depreciation) and the reporting of capitalized amounts and [applicable](#) accumulated depreciation and [expensed amounts](#) on the appropriate DoD Component's financial statements.

A. Heritage Assets

1. The cost of acquiring, improving, restoring or renovating heritage assets, other than multi-use heritage assets, [should](#) be recognized as a cost on the Statement of Net Cost for the period in which the cost is incurred. The cost [should](#) include all costs incurred to bring the asset to its current condition and location. [The DoD Components will include heritage assets in its financial statement note disclosures only if it has both ownership and control of the asset and is also responsible for maintenance or sustainment of the asset. If no one DoD Component meets all the criteria, then the DoD Component that has control over the heritage asset must report the heritage asset in its financial statement note disclosures \(see paragraph 280305, Reporting Requirements\).](#)

2. Except for assets classified as multi-use heritage assets, no amounts for heritage assets acquired through donation or devise (a will or clause of a will disposing of property) should be recognized in the cost of heritage assets.

3. Transfers of heritage assets, except for multi-use heritage assets, from one DoD Component to another or to another Federal agency do not affect the net cost of operations or net position of either entity. In some cases, assets included in general PP&E may be transferred to a DoD Component for use as heritage assets. In this instance, the transferring DoD Component should recognize a transfer-out of capitalized assets and the receiving DoD Component recognizes a transfer-in to facilitate reconciliation and a corresponding cost on the Statement of Net Cost.

B. Multi-use Heritage Assets

1. The costs of acquisition, improvement, or restoration of multi-use heritage assets should be capitalized as general PP&E and depreciated if the costs equals or exceeds the DoD capitalization threshold. Such multi-use heritage assets should be depreciated over their estimated useful life.

2. The capitalization threshold for general PP&E assets is:

a. \$1 million for the Department of Air Force and the Department of Navy general funds General Equipment;

b. \$1 million for the National Security Agency (NSA) and the Office of the Director of National Intelligence (ODNI) general PP&E; and

c. \$250,000 for real property (other than NSA and ODNI), and all other General Equipment assets for all other general funds and WCFs.

3. Assets classified as multi-use heritage assets and acquired through donation or devise should be recognized as general PP&E at the fair value of the assets at the time received and the amount should also be recognized as non-exchange revenues as defined in FASAB SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting.

4. Transfers of multi-use heritage assets from one Federal entity to another (including those between DoD Components or between a DoD Component and another Federal entity) should be recognized by the receiving entity as a transfer-in and as an additional financing source and the transferring entity should recognize a transfer-out. The value recorded should be the transferring entity's net book value of the multi-use heritage asset. If the receiving entity has not been provided the net book value, the multi-use heritage asset should be recorded at its estimated fair value.

C. Stewardship Land

1. Land classified as stewardship land must be reported as basic information within the financial statements of the DoD Component responsible for such land (see paragraph 280305, Reporting Requirements). The cost of the acquisition of stewardship land

should be recognized as an expense on the Statement of Net Cost for the period in which the cost is incurred. The cost should include all costs to prepare stewardship land for its intended use (e.g., grading the land). In such cases, land may be acquired along with existing facilities. The following treatments should apply:

a. To determine whether the facility itself would be deemed a heritage asset, the DoD Component should consult with Component cultural resources staff about whether the acquisition cost of the facility should be treated as the cost of stewardship land, heritage asset, or both;

b. The cost in its entirety should be treated as an acquisition of stewardship land, if the facility is to be used in operations (e.g., as general PP&E), and

i. The value of the facility is insignificant; or

ii. Its acquisition is merely a byproduct of the acquisition of the land.

c. Facilities of significant value that have an operating use (e.g., a constructed hotel or employee housing block) should be treated as general PP&E by identifying the cost attributable to general PP&E and segregating it from the cost of stewardship land acquired.

2. No amounts for stewardship land acquired through donation or devise should be recognized as an expense in the Statement of Net Cost.

3. Transfers of stewardship land from one DoD Component to another or to another Federal agency, do not affect the net cost of operations or net position of either entity. In some cases, land included in general PP&E may be transferred to a DoD Component for use as stewardship land. In this instance, the transferring DoD Component should recognize a transfer-out for the amount it has capitalized in its financial accounting records (if land was not expensed under SFFAS 50) for the asset and the receiving DoD Component recognizes a transfer-in to facilitate reconciliation.

280207. Improvements/Enhancements

A. Heritage Assets. The cost of improvement or renovation of heritage assets should be recognized on the Statement of Net Cost for the period in which the cost is incurred.

B. Multi-use Heritage Assets

1. Capital improvements to multi-use heritage assets must be capitalized when (1) the improvement increases the asset's useful life by two or more years, or increases its capacity or size, and (2) the cost of the improvement equals or exceeds the capitalization threshold (see subparagraph 280206.B.2). If capital improvements do not meet these two criteria they should be expensed. Funding source is not a factor in determining whether an

improvement will be capitalized. If the capital improvement increases the underlying asset's useful life by two years or more, the DoD Component must capitalize and depreciate the improvement with the original asset over the revised estimated useful life. Costs of capital improvements that do not extend the useful life of an existing real property asset but enlarge or improve its capacity and have a useful life of two years or more must be capitalized and depreciated over the lesser of the estimated useful life of the improvement or the remaining economic estimated useful life of the underlying asset. Note that the economic life of the multi-use heritage asset may be different than the original estimated accounting useful life. The economic life reflects the remaining period of utility for the multi-use heritage asset.

2. The cost of improvements to more than one **multi-use heritage asset** as identified by a unique identifier when performed under a single contract or work order, and that cannot be specifically identified by asset, **should** be capitalized only if the allocated cost per **multi-use heritage asset** equals or exceeds the capitalization threshold. When more than one improvement is made to a single **asset** and the improvements are part of one overall effort to increase the **asset's capability**, size, **and/or** useful life, the sum of the costs of the improvements **must** be capitalized, if the summed costs equal or exceed **the** capitalization threshold. This is required even when the improvements are funded separately. Once a determination has been made that the aggregate costs of the improvements will be capitalized, each improvement should be capitalized **and depreciated upon being** placed in service.

3. Maintenance and repair costs are not considered capital improvements, regardless of whether the cost equals or exceeds **the** capitalization threshold. **In SFFAS 42, the FASAB defines maintenance and repairs as activities directed toward keeping fixed assets in an acceptable condition. Maintenance and repair activities include preventative maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain assets. Maintenance and repair activities also include cyclic work done to prevent damage that would be more costly to restore than to prevent (e.g., painting).**

4. **Although maintenance and repairs are generally expensed in the period incurred, certain replacements of parts, systems, or components may or may not be an improvement for accounting purposes. Crucial to the determination of whether a replacement must be recognized as a repair or an improvement is the intent behind the replacement. Repair by replacement occurs when parts, systems, or components have failed, are in the incipient stages of failing, or are no longer performing the functions for which they were designated. Replacements falling into this category must be expensed. If the replacement was undertaken to expand the capacity or extend the useful life of an item that was in good working order, then the replacement must be recognized as an improvement. A roof or a heating and air conditioning system that is replaced due to the failing of the existing asset should be classified as a repair and should be expensed, even if the replacement incorporated a better quality and longer life shingle or a more efficient heating and air conditioning unit. Repair by replacement does not include rebuilding entire structures within the same physical area (footprint).**

5. Capital Improvements at or over the capitalization threshold in effect at the time the capital improvements are completed, will be recorded and depreciated by the DoD Component acquiring the capital improvement irrespective of whether they are the Primary Economic Beneficiary responsible for sustainment requirements of the property containing the capital improvement. A WCF activity of a DoD Component using a capital improvement in property that does not pay/reimburse the acquirer of the capital improvements for property use, will record an imputed cost in their financial statements for the value of the depreciation expense of the capital improvements from which they benefit. The requirement to impute costs is not applicable to DoD Component General Funds except for inter-entity costs for personnel benefits and Treasury Judgment Fund settlements. A DoD Component using space in a multi-use heritage asset that reports capital improvements for that asset and subsequently ceases use of the asset will transfer the book value of those capital improvements (acquisition value and accumulated depreciation) along with supporting documentation to the DoD Component responsible for reporting the multi-use heritage asset in its financial statements at the time they no longer are using the asset.

280208. Depreciation

A. Heritage Assets. The cost of acquisition, improvement, or renovation of heritage assets should be recognized as an expense on the Statement of Net Cost for the period in which the cost is incurred. These costs are not capitalized and not subsequently depreciated. The cost should include all costs incurred during the period to bring the item to its current condition.

B. Stewardship Land. The cost of acquiring stewardship land is expensed in the period incurred. These costs are not capitalized and subsequently depreciated.

C. Multi-Use Heritage Assets. The recorded cost of capitalized multi-use heritage assets must be depreciated in accordance with the general PP&E guidance as described in 280208.C.1 through C.7. Such capitalized amounts, as well as associated amounts of accumulated depreciation and depreciation expense, **must** be reflected in DoD financial statements.

1. Depreciation is the systematic and rational allocation of the **recorded** cost of an asset, less its estimated salvage or residual value, over its estimated useful life. Estimates of useful life **for general PP&E assets** must consider factors such as usage, physical wear and tear and technological change.

2. The salvage value, also known as the residual or scrap value, is the amount that would be expected to be obtained from selling **an** asset at the end of its useful life, but only when such proceeds (from recycle, resale, or salvage) are permitted to be retained and used by the DoD Component. Typically, personal property will not have a salvage value. **DoD real property does not have a salvage value**. If the asset is to be traded in on a new asset, the salvage value is the expected trade-in value.

3. The depreciable basis of an asset is the recorded cost reduced by the asset's salvage value, **if the asset has a salvage value**.

4. For purposes of computing depreciation on DoD general PP&E assets, specific **useful lives** are prescribed. Table 28-1 and Table 28-2 provide guidance on the **useful lives** to be used for DoD **multi-use heritage assets** that are real property or general equipment. **Heritage assets and stewardship land are not capitalized and depreciated.**

a. **DoD** policy permits the use of only the straight-line method of depreciation.

b. If a DoD Component determines that a newly acquired general PP&E asset **with a cost equal to or greater** than the **applicable** DoD capitalization threshold **which** has a useful life of at least two years, but less than five years, the Component **may** elect to depreciate the asset over a useful life that more accurately reflects its useful life (two to four years, as appropriate). The DoD Component making this election must document the basis for that decision.

Table 28-1. DoD Useful Lives for General Equipment (Including Multi-Use Heritage Assets)

Categories	Sub-Categories	Useful Life
GENERAL EQUIPMENT ASSETS (EXCLUDING WEAPON SYSTEMS)		
General Purpose Vehicles		
	Heavy-duty Trucks and Buses	5
ADP Systems and Hardware		
	Computers and Peripherals	5
Communication and Medical Equipment		
	High Tech Medical Equipment	5
	Radio and Television Broadcasting Equipment	5
All Other Equipment and Machinery		
	All Other Equipment and Machinery	10
	Equipment used in Research, Development, Test, and Evaluation (RDT&E)	5
Vessels		
	Tugs	20
	Barges	20
	Similar Water Transportation Equipment	20
Generation Equipment		
	Steam Generation Equipment (12.5K pounds per hour or more)	20
	Electric Generation Equipment (500 Kilowatt or more)	20
Capital Improvements *		
GENERAL EQUIPMENT WEAPON SYSTEMS		
Ground Systems		
	Armored/Assault Vehicle	15
	Cargo Vehicle	15
	Tracked Vehicle	20
Fixed Wing Aircraft		
	Combat Fixed Wing	20
	Cargo Fixed Wing	25
	Utility Fixed Wing	20
Rotary Wing		
	Combat Rotary Wing	25
	Cargo Rotary Wing	25
	Utility Rotary Wing	30
Ships		
	Combat Ship	35
	Cargo Ship	40
	Aircraft Carrier	50
Submarines		
	Submarine	33
Unmanned Aerial Vehicle Systems (UAVS)		
	UAVS	15
Combat Support Systems		
	Combat Support System	15
	Missile Defense System	20
*See Capital Improvements/Enhancements in paragraph 280207.		

Table 28-2. DoD Useful Lives for Real Property (Including Multi-Use Heritage Assets)

Real Property Classification	Real Property Useful Lives	Capital Improvements (if useful life is not provided by an engineering estimate)(i)
Buildings	45 years	20 years
Structures	35 years	15 years
Linear Structures	40 years	20 years
(i) Engineering estimates are of particular importance when evaluating full restoration or conversion.		

5. The event that triggers the calculation of depreciation is the date of receipt shown on the asset receiving document **in cases where no installation is required**; the date installed **(if required)**; or **the date the asset is available for use, also known as the acceptance date**, (regardless of whether it is actually used). The actual commencement of depreciation **should** be based on the Month Available for Service Method. Under this method, the month the asset was **accepted, installed, or available for use as applicable**, is the month used to commence the calculation of depreciation expense for the first year.

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

7. WCF activities are required to depreciate general PP&E assets in accordance with the guidance in this chapter without regard to whether such assets are procured through a WCF activity's Capital Purchase/Investment Program budget or whether depreciation for such assets is included in rates charged to customers. The recognition of general PP&E assets and the depreciation of such assets by WCF activities therefore may be different for financial statement reporting purposes than the depreciation amounts used for WCF rate development and budget presentation. All general PP&E depreciation of WCF activities **must** be recognized as an expense 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 [Accounting Report (Monthly) 1307] (AR (M) 1307)**." Depreciation recorded on general PP&E that was not acquired nor will be replaced through use of Defense WCF resources **must** be classified as non-recoverable for rate setting purposes and reported appropriately on the AR (M)1307. Defense WCF rates charged to customers are based on guidance in Volume 2B and Volume 11B.

280209. Impairment

A. **Description.** SFFAS 44 defines impairment as a significant and permanent decline in the service utility of general PP&E or expected service utility of CIP that results from events or changes in circumstances that are not considered normal and ordinary. The guidance in this paragraph is applicable to multi-use heritage assets only. Due to the nature of heritage assets and stewardship land and the fact that they are expensed when acquired, impairment is not

calculated for these assets. Heritage assets are expected to be preserved indefinitely. Multi-use heritage assets are subject to impairment guidance for general PP&E as described in SFFAS 44.

1. See subparagraph 280209.B.2 for a discussion of determining the significance and permanence of a service utility decline.

2. The service utility of general PP&E is the usable capacity that, at acquisition, was expected to be used to provide service. The current usable capacity of general PP&E may be less than its original usable capacity due to the normal or expected decline in useful life or to impairing events or changes in circumstances, such as physical damage, obsolescence, enactment or approval of laws or regulations or other changes in environmental or economic factors, or changes in the manner or duration of use.

3. Normal and ordinary events or circumstances are those that fall within the expected useful life of the general PP&E such as standard maintenance and repair requirements. Events or circumstances that are not considered normal are those that, at the time the general PP&E was acquired, the event or change in circumstance would not have been expected to occur during the useful life of the general PP&E or, if expected, was not sufficiently predictable to be considered in estimating the general PP&E's useful life.

B. Identification of Potential Impairment Loss. The determination of whether general PP&E remaining in use is impaired is a two-step process, which includes (1) identifying potential impairment indicators and (2) testing for impairment.

1. Step 1 - Identify Indicators of Potential Impairment. Indicators of potential impairment can be identified and brought to DoD Component's attention in a variety of ways, such as procedures related to deferred maintenance and repair (DM&R). Although DoD Components are not required to establish additional or separate procedures beyond those that may already exist, they should evaluate existing processes and internal controls to determine if they are sufficient to reasonably assure the identification of potential impairment indicators and implement appropriate additional processes and internal controls if necessary. Once identified, indicators are not conclusive evidence that a measurable or reportable impairment exists; DoD Components should carefully consider the surrounding circumstances to determine whether a test of potential impairment is necessary given the circumstances. Some common indicators of potential impairment include:

- a. Evidence of physical damage;
- b. Enactment or approval of laws or regulations which limit or restrict general PP&E usage;
- c. Changes in environmental or economic factors;
- d. Technological changes or evidence of obsolescence (however, if obsolete general PP&E continues to be used, the service utility expected at acquisition may not be diminished);

e. Changes in the manner or duration of use of general PP&E;

f. Construction stoppage or contract termination; and

g. General PP&E idled or unserviceable for excessively long periods.

2. Step 2 - Impairment Test. Identified general PP&E should be tested for impairment by determining whether these two factors are present: (i) the magnitude of the decline in service utility is significant and (ii) the decline in service utility is expected to be permanent.

a. Significant declines in service utility are those that cause costs (including operational and maintenance costs) to be disproportionate to the new expected service utility. The determination of whether or not an item is significant is a matter of professional judgment and is distinct from materiality considerations. Such judgments may be based on the relative costs of providing the service before and after the decline, the percentage decline in service utility, or other considerations.

b. The decline in service utility is considered permanent when the DoD Component has no reasonable expectation that the lost service utility will be replaced or restored; that is, the DoD Component expects that the general PP&E will remain in service so that its remaining service utility will be utilized. In contrast, a reasonable expectation that the lost service utility will be replaced or restored may exist when the DoD Component has: (i) specific plans to replace or restore the lost service utility of the general PP&E, (ii) committed or obligated funding for remediation efforts, or (iii) a history of remediating lost service utility in similar cases or for similar general PP&E.

3. For construction work in process, the testing of impairment in subparagraph 280209.B.2 should be performed over the period of expected future service utility rather than current service utility.

C. Determining the Appropriate Measurement Approach. Impairment losses on general PP&E that will continue to be used by the entity should be estimated using a measurement approach that reasonably estimates the portion of net book value associated with the diminished service utility of the general PP&E. A measurement method would not be considered appropriate if it would result in an unreasonable net book value associated with the remaining service utility of the general PP&E. Conversely, a reasonable measurement method may result in no impairment loss being recorded. Regardless of the method used, recognition of impairment loss should be limited to the asset's net book value at the time of impairment. Widely recognized methods for measuring impairment include the following. Note that the restoration approach should generally be used for multi-use heritage assets.

1. Replacement Approach. Impairment of general PP&E with physical damage generally may be measured using a replacement approach. This approach uses the estimated cost to replace the lost service utility of the general PP&E at today's standards

(i.e., at current market prices and in compliance with current statutory, regulatory, or industry standards) to identify the portion of the historical cost of general PP&E that should be written-off due to impairment. It may be appropriate to apply the ratio of estimated cost to replace the diminished service utility over total estimated cost to replace the general PP&E, to the net book value of general PP&E to determine the impairment amount.

2. Restoration Approach. Impairment of multi-use heritage assets with physical damage should generally be measured by using a restoration approach. This approach uses the estimated cost to restore the diminished service utility of the general PP&E to identify the portion of the historical cost of the general PP&E that should be written-off. This approach does not include any amounts attributable to improvements and additions to meet today's standards. The estimated restoration cost can be converted to historical cost by restating (i.e., deflating) the estimated restoration cost using an appropriate cost index. Alternatively, it may be appropriate to apply the ratio of estimated restoration cost to restore the diminished service utility over total estimated restoration cost to the net book value of the general PP&E to determine the impairment amount.

3. Service Unit Approach. Impairment of general PP&E that are affected by enactment or approval of laws or regulations or other changes in environmental/economical factors or are subject to technological changes or obsolescence generally may be measured using a service unit approach. This approach compares the service units provided by the general PP&E before and after the impairment to isolate the historical cost of the service utility that cannot be used due to the impairment to determine the impairment amount.

4. Deflated Depreciated Current Cost Approach. Impairment of general PP&E that are subject to a change in manner or duration of use generally may be measured using a deflated depreciated current cost approach. Under this approach, a current cost for a general PP&E to replace the current level of service is estimated. This estimated current cost is then depreciated to reflect the fact that the general PP&E is not new, and is then subsequently deflated to convert it to historical cost dollars. A potential impairment loss results if the net book value of the general PP&E exceeds the estimated historical cost of the current service utility (i.e., deflated depreciated current cost).

5. Cash Flow Approach. Recognizes an impairment loss only if the net book value (i) is not recoverable and (ii) exceeds the higher of its NRV or value-in-use estimate.

a. The net book value of general PP&E is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the general PP&E.

b. 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. SSFAC 7 describes value-in-use as the benefit to be obtained by an entity from the continuing use of an asset and from its disposal at the end of its useful life.

Value-in-use can be measured at the present value of future cash flows that an entity expects to derive from an asset, including cash flows from use of the asset and eventual disposal.

c. If the net book value is not recoverable, the impairment loss is the amount by which the net book value of the general PP&E exceeds the higher of NRV or value-in-use estimate. No impairment loss exists if the net book value is less than the higher of the general PP&E's NRV or value-in-use estimate.

6. Lower of Net Book Value or Higher of NRV or Value-in-Use Approach. General PP&E impaired from either construction stoppages or contract terminations, which are expected to provide service, should be reported at their recoverable amount; the lower of (i) the general PP&E's net book value or (ii) the higher of its NRV or value-in-use estimate. Impaired general PP&E, which are not expected to provide service, should be accounted for in accordance with SFFAS 6.

D. Recognizing and Reporting Impairment Losses. The loss from impairment, if any, should be recognized and reported in the Statement of Net Cost in the period in which the DoD Component 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 general PP&E for which an impairment loss is recognized, the nature (e.g., damage or obsolescence) and amount of the impairment and the financial statement classification of the impairment loss must be disclosed in the notes to the financial statements in the period the impairment loss is recognized.

E. Recoveries. The impairment loss should be reported net of any associated recovery when the recovery and loss occur in the same fiscal year. Recoveries reported in subsequent fiscal years should be reported as revenue or other financing source as appropriate. The amount and financial statement classification of recoveries should be disclosed in the notes to the financial statements.

F. Remediating Previously Reported Impairments. The costs incurred to replace or restore the lost service utility of impaired general PP&E remaining in use must be accounted for in accordance with applicable standards (i.e., recognized according to the nature of the costs incurred and the appropriate capitalization threshold).

G. 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 to the estimates used in depreciation calculations (such as estimated useful life and salvage value) should be considered and adjusted as appropriate.

280210. Removal/Disposal

A. Heritage Assets and Stewardship Land. Heritage assets and stewardship land can be removed from service or otherwise disposed. For example, stewardship land can be granted to the DoD Component by the Department of Interior (DOI) for a definite period with the expectation the land will be returned at the end of the period. In this example, the stewardship land is considered to be removed from service when it is returned to DOI.

B. Multi-Use Heritage Assets

1. In TR 14, the FASAB defines removal from service as an event that terminates the use of a general PP&E asset. Removal from service may occur because of a change in the manner or duration of use, change in technology or obsolescence, damage by natural disaster, or identification as excess to mission needs. Removals from service should be considered other than permanent unless (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 of the two business events has occurred, permanent removal from service has not occurred (i.e., the removal is considered other than permanent).

2. If an asset's normal use is terminated (i.e., it no longer provides service in the operations of the entity) but the DoD Component has not yet decided to permanently remove the asset from service, the removal from service must be accounted for as other than permanent. Other than permanent removal from service is evidenced by activities such as continuing low-level maintenance to sustain the asset in a recoverable status or until reutilization efforts are exhausted. For example, assets that have been removed from service and sent to a depot for temporary storage with the intent to use the assets again in the future and other assets taken out of service on a temporary basis are considered other than permanently removed from service. There is no change in the reported value for assets that have been other than permanently removed from service and the assets must continue to be depreciated.

3. If (i) an asset's use is terminated and (ii) the DoD Component has documented its decision to permanently remove the asset from service, the removal from service must be accounted for as permanent. Permanent removal from service is evident from the DoD Component's documented decision to dispose of an asset by selling, scrapping, recycling, donating, or demolishing the asset. The recorded cost as well as the accumulated depreciation of an asset permanently removed from service must be removed from the accounts in which they are reported, and the asset must be recorded at its NRV in General PP&E Permanently Removed but Not Yet Disposed (USSGL Account 199500). USSGL Account 199500 is defined in the Treasury Financial Manual Chart of Accounts as "the NRV of general PP&E that is permanently removed from service but not yet disposed and is reclassified in accordance with FASAB TR 14, paragraphs 10 and 12." NRV is the estimated amount that can be recovered from disposing of the asset less estimated costs of completion, holding, and disposal. Any difference between the net book value of the asset and its expected NRV should be recognized as a gain or loss. The expected NRV should be evaluated at the end of each fiscal year and any change in NRV should be recognized as a gain or loss. Assets permanently removed from service are no longer depreciated.

4. When an asset is disposed of (e.g., by selling, scrapping, recycling, donating, or demolishing the asset) the asset must be written-off from the financial records and statements and the difference between any disposal proceeds and the asset's net book value must be recognized as a gain or loss. The disposal start date is the calendar date of a recognizable obligation to complete the disposal action. For demolitions, this represents the demolition contract's start date. For transfers to a non-DoD entity and sales, this represents the date on which the instrument is endorsed or operation is ceased, whichever comes later. For natural disasters, this represents the actual date of the incident if the asset is a complete loss.

2803 ADDITIONAL CONSIDERATIONS

280301. Use of Canceled Treasury Account Symbol

A. Heritage assets and stewardship land are not reported in the Department of Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS).

B. Multi-use heritage assets are required to be reported in GTAS, a data collection system that has replaced the reporting functionalities of Federal Agencies Centralized Trial-Balance System I and II, Intragovernmental Fiduciary Confirmation System and Intragovernmental Reporting and Analysis System as the primary means for DoD Components to report their trial balance data to the Department of Treasury. Capitalized assets are required to be reported and remain in GTAS after the original purchasing Treasury Account Symbol (TAS) has expired and been canceled. If a capitalized asset has not been moved to a cancelled ("C") TAS as described in 280301.B.1; GTAS will provide a "C" TAS on the GTAS Super Master Account File (SMAF) for each fund family represented on the SMAF. The system generated "C" TAS will have three components: the three-digit agency identifier, availability type "C", and a four digit main account.

1. 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, Part 2, Chapter 4700](#) for additional information.)

2. To transfer an asset to a "C" TAS:

a. Use USSGL account transaction E510 to transfer-out the asset from the purchasing fund account.

b. Use USSGL account transaction E606 to transfer-in the asset into the appropriate "C" TAS.

280302. Supporting Documentation

A. Entries to record financial transactions in accounting system general ledger accounts and/or the Accountable Property System of Record (APSR) and/or other systems, as well as information to be included in financial statement note disclosures, must be supported by source documents that reflect all transactions affecting the DoD Component's stewardship investment in the PP&E.

1. All acquisitions, whether by purchase, transfer from other agencies, donation, or other means, must be supported as of the date the DoD Component accepts the heritage assets, multi-use heritage assets and/or stewardship land. The documents listed in Table 28-3, where applicable, must be readily available to support the changes in asset value or physical attributes as a result of new acquisition or capital improvement. Agencies should maintain historical files evidencing ownership of heritage assets, multi-use heritage assets and

stewardship land; and for some types of heritage assets, records and documentation pertaining to the asset's historical significance are required to be maintained pursuant to U.S.C. and DoD policy (e.g., 54 U.S.C. § 306131 and DoDI 4715.16). However, when original property records or other documentation (e.g., deeds, tax assessments, insurance records) for heritage assets and stewardship land do not exist, a methodology must be employed in order to develop alternative documentation to support management's assertions of Federal ownership.

2. As discussed in SFFAS 29 paragraphs 86 through 88 and in TR-9, since the historical records for items acquired long ago may not have been retained, other reasonable approaches and methods must be developed by the program offices to support the existence and completeness of heritage assets and stewardship land. When definitive documentation for stewardship land and/or heritage assets is not available, management must identify and use alternative methods for supporting management's assertions for these assets. For assessing land, for example, these methods could mirror the areas used to determine major categories for Note disclosure in the financial statements, such as the number of areas of recreational use, geographic management areas, and federal water projects of fish hatcheries. Heritage assets also have many of the same documentation issues since antiquities laws and preservation acts did not go into effect prior to artifacts having been collected and preserved. Many of these assets may reside in federal and nonfederal repositories. However, records and detailed listings from these periods generally do not exist.

3. All disposals or retirements must have sufficient supporting documentation as of the date the PP&E leaves the custody of the DoD Component to provide an adequate audit trail for the disposal of the asset. The execution of certain disposal events will generate financial or administrative accountability transactions. These documents, where applicable, must be readily available to support disposals:

- a. "Declaration of excess" document;
- b. Approval documentation (to include disposal of land);
- c. Original acquisition documents;
- d. Legal instruments (such as a deed or contract) to indicate legal obligation to dispose of an asset, if applicable;
- e. Document showing the disposal start date and disposal end date;
- f. Receipt documentation; and
- g. Transfer documents for transferred assets.

B. In their internal accounting policies and procedures, the DoD Components should document the identification, categorization, and method used to physically quantify the assets to ensure the consistent reporting for all similar heritage assets and stewardship land. As

described in paragraph 280206, the cost of acquiring heritage assets and stewardship land should be recognized as a cost on the Statement of Net Cost for the period in which the cost is incurred. In addition, financial statement note disclosure for the physical quantities of heritage assets and stewardship land are required. As further described in paragraph 280206, the cost to acquire a multi-use heritage asset that meets the capitalization threshold and has a useful life of two years or more is capitalized and depreciated over the asset's estimated useful life.

C. Heritage assets should be quantified in terms of physical units (unit of measure) to facilitate the required financial statement note reporting. The appropriate level of aggregation and physical units of measure for each major category should be meaningful and determined by the preparer based on the entity's mission, types of heritage assets, and how the entity manages the assets. For each major category of heritage asset, the following should be documented:

1. The number of physical units by major category. The major categories should be classified by collection- or non-collection-type heritage assets for which the entity is the steward as of the end of the reporting period;

2. The number of physical units by major category that were acquired and the number of physical units by major category that were withdrawn during the reporting period; and

3. A description of the major methods of acquisition and withdrawal of heritage assets during the reporting period. This should include disclosure of the number of physical units (by major category) of transfers of heritage assets between federal entities and the number of physical units (by major category) of heritage assets acquired through donation or devise, if material. In addition, the fair value of heritage assets acquired through donation or devise during the reporting period should be disclosed, if known and material.

D. Stewardship land should be quantified in terms of physical units (acres). The appropriate level of aggregation and physical units (acres) of measure for each major category (e.g., Land Predominate Use Code) of stewardship land use should be meaningful and determined by the preparer based on the entity's mission, types of stewardship land use, and how the entity manages the assets. For each major category of stewardship land, the following should be documented:

1. The number of physical units (acres) by major category of stewardship land use for which the entity is the steward as of the end of the reporting period;

2. The number of physical units (acres) by major category of stewardship land use that were acquired and the number of physical units (acres) by major category of stewardship land use that were withdrawn during the reporting period; and

3. A description of the major methods of acquisition and withdrawal of stewardship land during the reporting period. This should include disclosure of physical units (acres) (by major category of stewardship land use) of transfers of stewardship land between

federal entities and the number of physical units (acres) (by major category of stewardship land use) of stewardship land acquired through donation or devise, if material. In addition, the fair value of stewardship land acquired through donation or devise during the reporting period should be disclosed, if known and material.

Table 28-3. Examples of Supporting Documentation for Heritage Assets, Multi-Use Heritage Assets and Stewardship Land Acquisition

Note: These examples are not all inclusive for all circumstances.

Evidence	Examples
Unique Identification	Assignment of unique identifier
Project Approval	Such as, but not limited to a Work Order
Obligation on Behalf of the Government	Such as, but not limited to: <ol style="list-style-type: none"> 1. For contracts, contract modifications, or change orders: <ol style="list-style-type: none"> a. Statement of Work; b. Dollar Amount of Contract; c. Location; d. Source of Funds; e. Parties to the Contract; and f. Signature Page [Signature of All Parties]. 2. Documentation of troop labor hours; 3. Approved Work Order.
Payment Submitted	Such as, but not limited to: <ol style="list-style-type: none"> 1. Approved last invoice reflecting the total amount submitted for payment and received to date; 2. Evidence of in-house construction costs, including labor; 3. Indirect Costs incurred internally by the gaining activity that relate to the new acquisition or capital improvement.
Acceptance	Such as, but not limited to: <ol style="list-style-type: none"> 1. DoD (DD Form 250), Material Inspection and Receiving Report; 2. General Services Administration (GSA Form 1334), Request for Transfer of Excess Real and Related Personal Property; 3. DD Form 1354, Transfer and Acceptance of DoD Real Property (Interim or final), with associated source documentation retained by the responsible party; 4. Executed acquisition document and appraisal results for the donated assets; 5. Signed judgment documents for condemnations; 6. Deed; 7. Signed lease for leased property; 8. Letter of withdrawal for property withdrawn from public domain; 9. Executed Occupancy Agreement; 10. Executed Reversionary Document; 11. Transfer letter and documents for transferred assets; and 12. DD Form 1131, Cash Collection voucher.
Project Closeout	Such as, but not limited to a Final DD Form 1354 with associated source documentation retained by the responsible party.

E. Sufficient documentation must:

1. Indicate the physical quantity, location, and unit cost of the [multi-use heritage assets](#). The [APSR](#) must be designed to be of maximum assistance in making procurement and utilization decisions, including decisions related to identifying [general PP&E](#) that may be available for reuse, transfer to other DoD Components, or made available for disposal in accordance with current DoD regulations and other regulatory requirements.

2. Enable periodic, independent verification of the accuracy of the accounting and [APSR](#) through periodic physical counts/inventories (existence and completeness, i.e., “book to floor and floor to book”). Such periodic inventories also **must** include reconciling the [APSR](#) and/or [other](#) systems with the general ledger accounts and physical [counts for multi-use heritage assets, heritage assets and stewardship land](#). Personal hand receipt self-validations are not acceptable for meeting the independent verification of physical inventory requirements. See [DoDI 4165.14 for real property](#) and [DoDI 5000.64 for personal property](#).

3. Identify and classify [multi-use heritage assets](#) that **were** capitalized, recorded in the [APSR and](#) accounting system, and reported in the financial statements.

4. Be based on the same documents, to ensure that entries to the [financial accounting/reporting](#) and [APSR](#) are the same. This will ensure that the [APSR is](#) integrated and subsidiary to the [financial](#) accounting system, and that such records can be reconciled with the accounting system [for multi-use heritage assets, heritage assets and stewardship land](#).

5. Include all [multi-use heritage assets, heritage assets and stewardship land](#) possessed by DoD (to include property held by others) and [multi-use heritage assets, heritage assets and stewardship land](#) of others held by DoD through seizure, forfeiture, loss, or abandonment.

6. Provide information to identify and account for improvements to [multi-use heritage asset](#).

280303. Physical Inventories of [Heritage Assets, Multi-use Heritage Assets and Stewardship Land](#)

DoD Components must perform periodic physical inventories of [heritage assets and multi-use heritage assets](#) in accordance with [DoDI 5000.64](#) and [DoDI 4165.14](#). Periodic physical inventories of [stewardship land](#) must be performed in accordance with [DoDI 4165.14](#).

280304. DM&R

A. Description

1. In SFFAS 42, the FASAB defines DM&R as maintenance and repairs that were not performed when they should have been or were scheduled to be and which are put off or delayed to a future period.

2. For purposes of this policy, maintenance and repairs are activities directed toward keeping general PP&E assets in an acceptable condition. Maintenance and repairs include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset.

3. Maintenance and repairs exclude activities aimed at expanding the useful life, capacity or capability of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

B. Measurement

1. Amounts for DM&R may be measured using condition assessment surveys, life-cycle cost forecasts, or other methods that are similar to the condition assessment survey or life-cycle costing methods.

a. Condition assessment surveys are periodic physical inspections of assets to determine their current condition and estimated cost to correct any deficiencies. DoD Components should assess the condition of heritage assets as a function of their day-to-day operations and document condition through periodic assertion/assessment statements provided by their field office managers. Components also need to evaluate the cost and benefits of doing condition assessment surveys. Such things as cycling the assessments on a rotating basis, the frequency of assessments (i.e., every three or five years) and the criteria and methodology used for making such assessments need to be considered. SFFAS 42 rescinded the requirement to report condition information for heritage assets and stewardship land. See DoDI 4165.70 and DoDI 4715.16 for additional guidance.

b. Life-cycle costing is an acquisition or procurement technique, which considers operating, maintenance, and other costs in addition to the acquisition cost of assets. Since it results in forecasts of maintenance and repairs expense, these forecasts may serve as a basis against which to compare actual maintenance and repairs expense to arrive at an estimate of DM&R.

2. DoD Components should determine what condition standards are acceptable and which DM&R measurement methods to apply. Once determined, condition standards and measurement methods must be consistently applied unless the DoD Component determines that changes are necessary. Changes deemed necessary by the DoD Component must be accompanied by an explanation documenting the rationale for the change(s) and any related impact the change(s) will have on the DM&R estimates.

3. DM&R must be measured for capitalized and non-capitalized PP&E, and fully depreciated general PP&E. In addition, DM&R must be measured for inactive and/or excess general PP&E to the extent that it is required to maintain the general PP&E in acceptable condition (e.g., to comply with existing laws and regulations or to preserve value pending disposal) and, DM&R must measure funded maintenance and repairs that have been delayed for a future period as well as unfunded maintenance and repairs.

C. RSI

SFFAS 42 eliminated the requirement to report condition information and optional reporting of low-high DM&R estimates and critical and non-critical DM&R in the Required Supplementary Information (RSI) of the Agency Financial Report. However, DoD Components must report material amounts of DM&R as RSI to the financial statements (see Volume 6B, Chapter 12). At a minimum, the following information must be presented as RSI for all PP&E:

1. Estimates of the beginning and ending balances of DM&R for each major category of PP&E (i.e., heritage assets and multi-use heritage assets);
2. A summary of the DoD Component's maintenance and repairs policies and a brief description of how they are applied (e.g., method of measuring DM&R);
3. Policies for ranking and prioritizing maintenance and repair activities;
4. Factors the DoD Component considers in determining acceptable condition standards;
5. Whether DM&R relates solely to capitalized general PP&E and non-capitalized heritage assets or also to amounts relating to non-capitalized or fully depreciated general PP&E;
6. Capitalized general PP&E, and non-capitalized heritage assets for which the DoD Component does not measure and/or report DM&R and the rationale for the exclusion; and
7. If applicable, explanation of any significant changes to DM&R amounts from the prior year and the policies and factors subject to the reporting requirements established in subparagraphs 280304.C.2 through 280304.C.6.

280305. Reporting Requirements

A. SFFAS 29 reclassifies the reporting of all heritage assets and stewardship land from Required Supplemental Stewardship Information to basic information in the financial statements, **except for DM&R which must be reported as RSI** (see subparagraph 280304.C). The standard requires that entities reference a note on the balance sheet that discloses information about heritage assets and stewardship land, but does not require the reporting of acquisition cost.

B. DoD Components with heritage assets and stewardship land should reference a note on the balance sheet that discloses information about the heritage assets and stewardship land, but no asset dollar amount should be shown. Instead the minimum reporting requirements for note disclosure include a description of major categories, physical unit information for the end of the reporting period, physical units added or withdrawn during the period, and a description of the methods of acquisition and withdrawal. The DoD Components should also include in the disclosures, the entity stewardship policies and an explanation of how heritage assets and stewardship land relate to the mission of the entity. See Volume 6B, Chapter 10, Note 10 for the specific reporting requirements. Supporting documentation requirements for financial statement disclosures is described in paragraph 280302, Supporting Documentation.

C. Multi-use heritage assets require additional descriptive information in the heritage asset note disclosure as set forth in SFFAS 29, paragraph 25, with cross references directing the reader from the balance sheet to the note disclosure. Multi-use heritage assets are to be reported in both the principal financial statements (in dollars) as general PP&E and in the heritage asset note disclosure (in physical units). This reporting and note disclosure would not be considered duplicative as each category is considered unique for this reporting purpose.

280306. Environmental Liabilities/Cleanup Costs

The accounting policy for environmental liabilities/cleanup costs pertaining to heritage assets, multi-use heritage assets and stewardship land is contained in Chapter 13.