



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE

1 100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

January 4, 2021

MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS
(FINANCIAL MANAGEMENT AND COMPTROLLER)
CHIEF FINANCIAL EXECUTIVES OF DEFENSE AGENCIES
CHIEF FINANCIAL EXECUTIVES OF DOD FIELD ACTIVITIES

SUBJECT: Alternative Valuation Methodologies for Establishing Opening Balances for Buildings, Structures, and Linear Structures (FPM20-14)

This memorandum revises policy in the DoD Financial Management Regulation (FMR) Volume 4, Chapter 24, "Real Property," which required DoD components to utilize Plant Replacement Value (PRV) as DoD's valuation method for purposes of establishing opening balances for buildings, structures and linear structures (real property facilities). Although the PRV approach remains DoD's preferred alternative valuation method for real property facilities, DoD components are not required to use this valuation method. This policy is effective immediately.

Statement of Federal Financial Accounting Standards (SFFAS) 50, "Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35," paragraph 13(d) states: "deemed cost¹ is an acceptable valuation method for opening balances of general PP&E. Because the reporting entity may have multiple component or subcomponent reporting entities using various valuation methods simultaneously, deemed cost should be based on one, or a combination, of the following valuation methods:

- i. Replacement cost
- ii. Estimated historical cost (initial amount). Reasonable estimates may be based on:
 - a. cost of similar assets at the time of acquisition;
 - b. current cost of similar assets discounted for inflation since the time of acquisition (that is, deflating current costs to costs at the time of acquisition by general price index); or
 - c. other reasonable methods, including latest acquisition cost and estimation methods based on information such as, but not limited to, budget, appropriations, engineering documents, contracts, or other reports reflecting amounts to be expended.
- iii. Fair value"

SFFAS 50 also allows for PRV to be used as a starting point in establishing replacement cost for real property facilities. Accordingly, DoD components that elect to establish opening balances for real property facilities based on deemed cost, may use any one, or a combination, of

¹ Deemed cost is an amount used as a surrogate for initial amounts that otherwise would be required to establish opening balances.

the allowable valuation methods in accordance with SFFAS 50. DoD components should select the method that is most efficient for them to establish the opening balances for their real property facilities. Regardless of the selected method, DoD components must have acceptable supporting documentation to support the deemed cost value.

It is recommended that if PRV is not utilized as the alternative valuation method, the reporting entity should discuss in advance with its Independent Public Accountants the planned valuation method to be used and the supporting documentation that will be available for the audit.

DoD components electing to apply deemed cost in establishing opening balances for real property facilities should disclose this in the notes to the financial statements and describe the methods used, as required per SFFAS 50.

Relevant provisions of this policy will be incorporated into the next update of the DoD FMR, Volume 4, Chapter 24.

My staff point of contact for this policy memorandum is Ms. Rebecca Evertsz. Reach her at rebecca.z.evertsz.civ@mail.mil or 703-695-9338.

Douglas A. Glenn
Deputy Chief Financial Officer

cc:

Deputy Under Secretary of Defense (Acquisition and Sustainment)
Deputy Chief Management Officer of the Department of Defense
Deputy Inspector General for Auditing, DoD Office of Inspector General