# Issue

# Determination of whether fully depreciated building are to be maintained throughout the life of the buildings on the NAF or APF accounting books.

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# Research

Below outlines the current treatment on how each service complies and what the regulations, accounting guidance and industry standards are for this area.

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| Fully Depreciated Buildings Treatment and Guidance | Air Force | Army | Navy | Marines |
| Fully Depreciated Buildings Treatment | Unclear | Unclear | Unclear | Unclear |
| DoDI 1015.15: 6.4.2.6.2.4. If an asset remains in use longer than its estimated useful life, it shall be retained in the property accountability or management system, as well as in the accounting records, and the record shall reflect both its recorded cost and accumulated depreciation until its disposition. | Unclear | Unclear | Unclear | Unclear |
| FMR Volume 13, Chapter 3, 030306. A. 10. Depreciation: Depreciation accounting distributes the cost or other basic value of tangible capital assets over the estimated useful life of such assets in a systematic and rational manner. Accounting for depreciation as an expense is an integral part of the accrual basis of accounting. Accordingly, all NAF activities recognize depreciation of their fixed assets.  For NAF capital assets whose titles are transferred to APFs, but are still used by the NAFI, continue to depreciate these fixed assets on the NAFIs book until the items are fully depreciated.  FMR Volume 13, Chapter 3: 030306. A. 4. APF Titled Fixed Assets: An aspect of NAF accounting is that some assets, particularly buildings, are purchased using NAFs and the NAFI has exclusive use, but the title rests with the Government. NAF procured property or facilities may be transferred to APF for maintenance when allowed by the Military Service regulations. Upon receipt of approved documentation from NAFI management, record these items in the NAF property records and general ledger as APF titled Fixed Assets (signifies government title) and commence depreciation. | Unclear | Unclear | Unclear | Unclear |
| GAAP: 360 Property, Plant, and Equipment. Fully Depreciated Assets. Since the gross cost of property shown in the balance sheet is intended to include all property in service, the cost of fully depreciated assets remaining in service and the related accumulated depreciation ordinarily should not be removed from the accounts. However, if retirements are not recorded because detailed property records are not maintained, as is generally the case for small tools, dies, and similar items, or for other reasons, it is desirable to remove the estimated cost of fully depreciated assets and the related depreciation from the accounts rather than to allow the gross amounts to increase indefinitely.  The amount of fully depreciated assets need not be disclosed. If such disclosures are made, they should not imply that prior depreciation has been excessive when, as is frequently the case, the remaining utility of the fully depreciated assets may be minimal. | Unclear | Unclear | Unclear | Unclear |
| Industry Practice: Fully depreciated assets are reported at cost on the Property, Plant and Equipment section of the balance sheet. The related accumulated depreciated is also reported in this section. These amounts will continue to be reported on the balance sheet until the entity disposes of the assets either through sale or retirement. It is fairly unusual for an entity to continue to use a fully-depreciated asset; generally, the useful life is extended for assets with utility beyond their original estimate and depreciation is adjusted accordingly. | Unclear | Unclear | Unclear | Unclear |

# Discussion

Based on current guidance, buildings that are fully depreciated should be carried on the balance sheet until the assets are disposed of either through sale or retirement. DoDI 1015.15 states that the asset shall be retained on the accounting records to include both the recorded cost and accumulated depreciation until its disposition. This treatment is in line with GAAP and industry accounting treatment of assets that are fully depreciated. FMR further includes the treatment forNAF capital assets whose titles are transferred to APFs, but are still used by the NAFI. In this case, continue to depreciate these fixed assets on the NAFIs book until the items are fully depreciated.

# Recommendation

We recommend the Services include fully depreciated buildings and assets in the financial statements until the asset is disposed of either through a sale or retirement. Both the cost of the asset and related accumulated depreciation is to be included in the accounting records.

This policy would include assets purchased using NAF and the NAFI has exclusive use, but the title rests with the Government, the asset should be recorded in the NAF property records and general ledger as Fixed Assets APF titled and commence depreciation. Once fully depreciated, the asset cost and accumulated depreciation remains on the NAF accounting records until the asset is disposed. If an APF-titled asset is acquired at zero cost (i.e. with appropriated funds), then it should be reported at the cost to acquire the asset (0 dollars) and reported on the balance sheet until it is disposed of via sale or retirement.

FMR Volume 13, Chapter 3, para 030306 to be revised to specify that fully-depreciated assets which are still in use by the entity are to be reported on the balance sheet until disposed of via sale or retirement in order to be consistent with GAAP.

# Service Concurrence

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| Service | Concurrence | Reason |
| Air Force | Concurrence in 2014. **Re-concurred 10/19/2018.** |  |
| Army | Concurrence in 2014. **Re-concurred 11/2/2018.** |  |
| Marines | Concurrence in 2014. **Re-concurred 10/31/2018.** |  |
| Navy | Concurrence in 2014. **Re-concurred 11/2/2018.** |  |

# USD(P&R)/MC&FP Disposition

No further action.

**DFAS Disposition**

Revise FMR Volume 13, Chapter 3, para 030306.

# Forward to DoDIG?

No DoDIG equities.