



DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY, EUROPE, and SEVENTH ARMY
STAFF FINANCE AND ACCOUNTING OFFICER
UNIT 29001
APO AE 09007

AEAFC-FAPD (215-5)

91 MAY 2003

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Accounting Treatment for Building and Land Improvements (NAF Accounting Policy Memorandum #03-01)

1. It has historically been extremely difficult to maintain the physical identity of assets recorded in GLAC 169 (Building Improvements) and GLAC 171 (Land Improvements). As a result, it is often impossible to identify specific property items when annual inventories are conducted and equally impossible to remove the costs of expired assets from the accounting records at times of subsequent renovations or asset disposal. The result is inaccurate annual fixed asset inventories and an overstatement of asset costs in the accounting records caused by the layering of costs from successive renovation projects. In order to address this problem, the following procedures will be followed in recording GLAC 169 and GLAC 171 transactions in the accounting records.

a. The expected useful life for all assets recorded in GLAC 169 and GLAC 171 with a cost less than \$100,000 will be 5 years (60 monthly steps). The expected useful life for all assets recorded in GLAC 169 and GLAC 171 with cost of \$100,000 or greater will be 8 years (96 monthly steps). These depreciation periods are established based upon historical patterns for the useful life of these types of assets in USAREUR.

b. For those assets that lose their specific individual physical identity when placed in service, the Central Accounting Division (CAD) will advise fund management when the assets are fully depreciated and request concurrence to remove the asset from the accounting records. If fund management concurs or fails to respond within 45 days, the asset will be treated as a disposal and removed from the accounting records. Assets that retain their physical identity when placed in service (examples: parking lots, tennis courts, swimming pools, patios, walk-in freezers) will be retained on the accounting records until disposal.

2. Based upon the criteria in paragraph 1a, the CAD will immediately accelerate the depreciation for all fixed assets already recorded in GLAC 169 and GLAC 171 so that the total depreciation period corresponds to the guidance in this policy memorandum. For those assets for which individual physical identity cannot be confirmed, the CAD will request the concurrence of fund management to remove the asset from the accounting records if the acceleration results in the asset being fully depreciated. If fund management concurs or does not respond within 45 days, the asset will be treated as a disposal and removed from the accounting records.

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3. This policy also applies to internally funded Europe lodging building and land improvement projects. The Europe Lodging Fund Manager will establish depreciation schedules for projects which are funded by the Army Lodging Fund under the Wellness program. These projects will only be removed from the fixed asset accounting records upon request of the Lodging Fund Manager.

4. This guidance has been coordinated with IMA-Europe. Point of contact is Mr. Bridges, 379-7846, email: Stephen.Bridges@266fc.army.mil.


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