Federal Accounting Standards Advisory Board

Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment

Federal Financial Accounting Technical Release

Technical Release 14

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Draft for Review

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THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General, established the Federal Accounting Standards Advisory Board (FASAB or "the Board) in October 1990. FASAB is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the Federal Government.

Section III. I (3) of FASAB's Rules of Procedure authorizes the AAPC to issue technical releases related to existing federal accounting standards. Technical releases are intended to provide guidance on the specific application of Statements of Federal Financial Accounting Standards (SFFASs), Interpretations of SFFASs, and Technical Bulletins. AAPC's technical releases are in the third category of authoritative guidance in the Federal GAAP hierarchy as stated in the SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles*. AAPC may not amend existing standards or promulgate new standards.

Additional background information is available from the FASAB or its website:

- "Memorandum of Understanding among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board."

- "Mission Statement: Federal Accounting Standards Advisory Board", exposure drafts, Statements of Federal Financial Accounting Standards and Concepts, FASAB newsletters, and other items of interest are posted on FASAB's website at: www.fasab.gov.

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The Accounting and Auditing Policy Committee

The Accounting and Auditing Policy Committee (AAPC) was organized in May 1997 by the Department of the Treasury, the Office of Management and Budget (OMB), the Government Accountability Office (GAO), the Chief Financial Officers' Council (CFOC), and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) [formally the President's Council on Integrity and Efficiency (PCIE)], as a body to research accounting and auditing issues requiring guidance.

The AAPC serves as a permanent committee established by the Federal Accounting Standards Advisory Board (FASAB). The mission of the FASAB is to develop accounting standards after considering the financial and budgetary information needs of congressional oversight groups, executive agencies, and the needs of other users of Federal financial information. The mission of the AAPC is to assist the Federal government in improving financial reporting through the timely identification, discussion, and recommendation of solutions to accounting and auditing issues as they relate to the specific application of existing authoritative literature.

The AAPC is intended to address issues that arise in implementation, which are not specifically or fully discussed in Federal accounting and auditing standards. The AAPC's guidance is cleared by FASAB before being published.

Additional background information on the AAPC is available from the FASAB or its website:

- “Charter of the Accounting and Auditing Policy Committee”

- “Accounting and Auditing Policy Committee Operating Procedures”

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Introduction

Purpose

1. Statement of Federal Financial Accounting Standards (SFFAS) 6 (paragraphs 38 and 39) outlines the requirements for the disposal, retirement, or removal from service of general property, plant, and equipment (G-PP&E). SFFAS 6 (paragraphs 97 and 98) outlines the requirements for recognition and measurement of disposal related cleanup costs. The Accounting and Auditing Policy Committee (AAPC) G-PP&E Disposal subgroup requested implementation guidance to clarify existing guidance contained in SFFAS 6 regarding the disposal, retirement, or removal from service of G-PP&E. Many question whether the existing guidance applies to temporary removal from service of G-PP&E assets. For example, SFFAS 6 does not provide guidance regarding G-PP&E returned to service following temporary removal from service such as whether the valuation should be restored to acquisition cost or remain at net realizable value. Uncertainty regarding the application of SFFAS 6 provisions to G-PP&E temporarily removed from service as well as uncertainty in determining when removal is permanent contributes to inconsistencies in interpretation and implementation of the standard.

2. Implementation guidance is needed to recognize the many complexities involved in disposal of G-PP&E and should delineate events that trigger discontinuation of depreciation and removal of G-PP&E from accounting records. The purpose of this technical release is to provide implementation guidance that further clarifies the requirements stated in the above noted SFFAS 6 paragraphs.

Scope

3. Readers of this technical release should first refer to the hierarchy of accounting standards in SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles*. This technical release supplements the relevant accounting standards, but is not a substitute for and does not take precedence over the standards. This technical release clarifies, but does not change, guidance previously provided in SFFAS 6 *Accounting for Property, Plant, and Equipment*.

Effective Date

4. This technical release is effective immediately.

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Technical Guidance

SFFAS 6: Disposal of G-PP&E

5. In accordance with SFFAS 6, Accounting for Property, Plant, and Equipment, paragraph 38, "in the period of disposal, retirement, or removal from service, G-PP&E shall be removed from the asset accounts along with associated accumulated depreciation/amortization."

   Further, paragraph 39 states that:

   "G-PP&E shall be removed from G-PP&E accounts along with associated accumulated depreciation/amortization, if prior to disposal, retirement or removal from service, it no longer provides service in the operations of the entity. This either could be because it has suffered damage, becomes obsolete in advance of expectations, or is identified as excess. It shall be recorded in an appropriate asset account at its expected net realizable value.[1] Any difference in the book value of the PP&E and its expected net realizable value shall be recognized as a gain or a loss in the period of adjustment. The expected net realizable value shall be adjusted at the end of each accounting period and any further adjustments in value recognized as a gain or a loss. However, no additional depreciation/amortization shall be taken once such assets are removed from G-PP&E in anticipation of disposal, retirement, or removal from service."

SFFAS 6: Recognition of Cleanup Costs Associated with Disposal of G-PP&E

6. Additionally, SFFAS 6 provides requirements for recognition and measurement of disposal related cleanup costs. In accordance with paragraphs 97 and 98:

   "A portion of estimated total cleanup costs shall be recognized as expense during each period that GPP&E is in operation. This shall be accomplished in a systematic and rational manner based on use of the physical capacity of the associated PP&E (e.g., expected usable landfill area) whenever possible. If physical capacity is not applicable or estimable, the estimated useful life of the associated PP&E may serve as the basis for systematic and rational recognition of expense and accumulation of the liability.

   "Recognition of the expense and accumulation of the liability shall begin on the date that the PP&E is placed into service, continue in each period that operation continues, and be completed when the PP&E ceases operation."

[1] Please see Appendix D: Glossary for definitions of obsolete, excess and net realizable value.

Temporary vs. Permanent Removal from Service

7. The following section provides further clarification and guidance to the requirements stated in SFFAS 6, paragraphs 38, 39, 97, and 98 as it relates to "removal from service." Also in those paragraphs the terms "disposal" and "retirement" are used and are intended to be permanent in nature. However, "removal from service" may be permanent or temporary. The paragraph below defines the term "removal from service", as referenced in SFFAS 6, and further discusses the differences between temporary and permanent removal from service.

8. "Removal from service"[2] is defined as an event that terminates the use of a G-PP&E asset (e.g., shut down of a facility). 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 excess to entity's mission needs. The removal from service should be considered temporary, unless there is evidence of management's documented decision to permanently remove the asset from service and the asset's use is terminated.[3] Permanent removal from service is evident from management's documented decision to dispose of an asset by selling, scrapping, recycling, donating or demolishing the asset. In their policies and procedures ~~Agencies~~ agencies should ~~include in their policies and procedures~~ require~~d~~ including documentation for the permanent removal from service of an asset.

9. Management's decision to remove from service is evidenced by the actions taken in accordance with the entity's policies and procedures to commence the retirement and/or disposal process. Temporary 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, processing an aircraft or idling a facility in such a way as to retain the potential for its future operability would be persuasive evidence of intent to preserve an option to return the asset to service if warranted by evolving mission requirements.

10. Two business events are necessary for the permanent removal from service:

    1. Asset's use is terminated, and

    2. There is evidence of management's documented decision to permanently remove the asset from service.

[2] The term "removal from service" does not include the "out grant" of an asset. "Out grant" is defined as interest or right granted to another entity to use government property by a lease, easement, license, or permit. Therefore, "removal from service" as defined in this document does not apply to out granted assets, because the government retains its ownership in the property and only the use of the property is given to the entity using the out granted asset.

[3] The agency's management may elect to identify and/or classify the operational status of assets to include those temporarily removed from service in the property accountability system.

If only one of the two business events has occurred, permanent removal from service has not occurred (i.e., considered temporary removal) and there is no change in the G-PP&E reported value and depreciation continues.

Likewise, in the case of G-PP&E cleanup costs, if only one of the two business events has occurred, permanent removal from service has not occurred (i.e., considered temporary removal) and, any cleanup costs associated with disposal, closure, and/or shutdown should continue to accumulate as a liability in accordance with SFFAS 6, paragraphs 97 and 98.

Financial Transactions

11. The following section describes the financial transactions that result from permanent removal, retirement, and/or disposal of G-PP&E. No disposal related entries are recognized prior to permanent removal from service.

12. **G-PP&E Acquisition Cost & Depreciation at Permanent Removal** - When the entity's management decides to permanently remove, retire, and/or dispose of an asset from service and the asset's use is terminated, the asset's acquisition cost and associated accumulated depreciation are removed from the G-PP&E account and the asset is recorded at its net realizable value with an offsetting entry to ~~unrealized~~ gain or loss.[4] Upon completion of the disposal of the asset, the entity should write off the asset from its financial records. Any difference between the expected net realizable value of the G-PP&E previously recorded and the actual ~~realized~~ disposition amount should be recognized as a ~~realized~~ gain or loss.

13. **Spare Parts and Subcomponents** ~~- If~~- If during the permanent removal process, the asset is dissembled and spare parts or sub-components are salvaged to be used for other purposes, the spare parts or sub-components should be recorded as new and separate assets in accordance with SFFAS 6 or SFFAS 3, *Accounting for Inventory and Related Property*.

14. **G-PP&E Acquisition Cost & Depreciation at Temporary Removal** - If the asset's normal use is terminated but management has not decided to permanently remove the asset from service, the asset's removal is considered temporary. In this case, there is no change in the G-PP&E reported value and depreciation continues.[5] Likewise, if the asset is still in use even though management has decided to permanently remove, retire and/or dispose of the asset, the permanent removal from service has not occurred. There is also no change in the G-PP&E reported value and depreciation continues. [6]

[4] Refer to Appendix B: Table 1: Scenarios I & II, Step 2 for account transactions.
[5] Refer to Appendix B: Table 1, Scenario I, Step 1.
[6] Refer to Appendix B: Table 1, Scenario II, Step 1.

15. **G-PP&E Cleanup Costs**[7] - For assets permanently removed from service, any unallocated/unamortized portion of the total cleanup cost estimate associated with the disposal, closure, and/or shutdown of the G-PP&E should be recognized in full. If removal from service is considered temporary, the liability and associated clean up cost expense shall continue to accumulate.[8]

16. **G-PP&E Disposal When Group or Composite Depreciation is Used -** G-PP&E using a group or composite method of depreciation should only apply the accounting transactions outlined in paragraph 12 when the entire group has been permanently removed from service (e.g., as if the entire group were one asset). When an asset or set of assets within the group is permanently removed, retired, and/or disposed the G-PP&E account is credited for the original cost of the removed asset less any salvage value, and accumulated depreciation is debited for the difference.~~For assets recognized using a group or composite method of depreciation, accounting transactions required to recognize the permanent removal of assets, as described in paragraph 11, will apply only when the entire group has been permanently removed from service. However, if an asset within the group is permanently removed, retired, and/or disposed while other assets in the group have not, the G-PP&E account is credited for the original cost of the removed asset less any salvage value, and accumulated depreciation is debited for the difference..~~ Under the group or composite depreciation methods, no ~~unrealized or realized~~ gain or loss is recognized on the sale of an asset within the group prior to removal of ~~the other~~all assets in the group. The pro rata share of the total original group cost may be used to determine the cost of an asset within the group.

17. Table 1 in Appendix B illustrates two different scenarios, associated business events, and derived financial transactions to assist in interpretation and application of the guidance described in paragraphs 11 - 15.

[7] SFFAS 6, paragraph 85: Cleanup costs are the costs of removing, containing, and/or disposing of (1) hazardous waste from property, or (2) material and/or property that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E.

[8] Regardless of when cleanup is executed, at temporary or permanent shut down, as cleanup costs are paid, payments shall be recognized as a reduction in the liability for cleanup costs. (SFFAS 6, paragraph 100)

The provisions of this Technical Release need not be applied to immaterial items.

Appendix A: Basis for Conclusions

A1. In January 2008, the Accounting and Audit Policy Committee established the General Property, Plant, & Equipment (G-PP&E) task force to assist in developing implementation guidance for federal G-PP&E as it relates to SFFAS 6, *Accounting for PP&E,* SFFAS 23, *Eliminating the Category National Defense Property Plant, & Equipment*, and other related G-PP&E Guidance developed by the FASAB. The task force included federal agency representatives who were experiencing G-PP&E implementation issues and those who have G-PP&E implementation best practices to share with the federal community.

A2. The G-PP&E task force was divided into four subgroups that addressed a set of related issues. The subgroups met separately on a regular basis to discuss their set of issues and reported back to the full task force on its progress towards the development of implementation guidance. The four sub-groups were

- G-PP&E Acquisition
- G-PP&E Use
- G-PP&E Disposal
- G-PP&E Records Retention

A3. This guidance was developed by the Disposal subgroup. The subgroup included members from the following federal agencies:

- Department of Defense
- Department of Energy
- Department of the Interior
- Government Accountability Office
- General Services Administration
- National Aeronautics and Space Administration

The subgroup included accountants, program managers, and functional PP&E experts. The program managers gave the subgroup the perspective of how the standards come into play on a day-to-day basis.

A4. The scope of the implementation guidance is to address G-PP&E disposal as it applies to SFFAS 6. The guide focuses on when G-PP&E is disposed, retired, or removed from service.

A5. This implementation guide provides steps that can be followed to help federal entities consistently apply existing standards to assist in providing consistent, accurate and meaningful information.

A6. In reaching its conclusions, the subgroup deemed significant the unanimous agreement of its members that SFFAS 6 as currently written does not define temporary removal from service of G-PP&E assets and does not offer guidance regarding G-PP&E returned to service following temporary removal. This contributes to inconsistencies in interpretation and implementation of the

guidance. The subgroup members presented numerous compelling examples of misinterpretation, confusion, and inefficient implementation. The subgroup was convinced that guidance is needed to clarify when G-PP&E has been removed from service and SFFAS 6 provisions apply.

A7. Additionally, subgroup members universally felt strongly that the implementation guidance should consider the cost vs. benefits of the many complexities involved in G-PP&E disposal, retirement, or removal from service and recognize the potential for reversing disposal decisions as mission requirements change. Therefore, the subgroup members decided to focus on defining temporary vs. permanent removal from service and ultimately continuing to depreciate and report assets as GPP&E that are temporarily removed from service. The following reasons were discussed:

a. Depreciation is a method of allocating the cost of the asset to those periods expected to benefit from use of the asset. When assets are temporarily removed from service, there is a great possibility of returning the assets to service; therefore management continues to maintain the assets in a mission ready status and the assets are available for use. Given this, the entity should continue depreciating its assets.

b. The subgroup members determined that the complexity and cost of continually suspending and reinstating depreciation for assets temporarily removed from service outweighs the benefits. Further, SFFAS 6 does not provide guidance for the recognition of assets returned to service following temporarily removal which implies that the standards address permanent removal.

c. Current guidance requires depreciation to be captured until the asset is either fully depreciated or permanently removed from service. In the cases where an entity depreciates its assets costs based on actual usage or production, the depreciation expense for the entity would stop when the asset is not in use. For example, an agency can decide to use a depreciation method, such as flying hours, that would account for an assets 'lack of activity.'

d. Changes in value or useful lives of assets remaining in service regardless of the reason (e.g. impairment) are outside of the scope of this document.

A8. The benefits of this guidance are: (1) it enables federal entities to interpret existing guidance and facilitates comparable implementation of federal accounting standards; and (2) it supports several federal financial reporting objectives, to include ensuring that transactions involving G-PP&E are recorded in accordance with federal accounting standards; the government's net financial position is accurate; and the assessment of the performance of agencies in managing the cost and disposition of federal assets is supported.

A9. As part of the implementation of this guide and associated SFFAS 6, the federal agencies may incur additional costs to: (1) review and adjust the expected net realizable value at the end of each accounting period and any further adjustments in value recognized as a gain or a loss; (2) periodically review the status of those assets temporarily removed from service to determine if any changes in status or actions would trigger a change in G-PP&E recognition; and

(3) demonstrate and support management's intent to retain an asset for future use or permanently dispose of the asset and any associated financial transactions, when applicable.

A10. The guidance defines "Removal from service" as an event that terminates the use of a G-PP&E asset (e.g., shut down of a facility). Management's decision to remove from service is evidenced by the actions taken in accordance with the entity's policies and procedures to commence the retirement and/or disposal process. Permanent removal from service is evident from management's documented decision to dispose of an asset by selling (including selling the asset to another entity for use as its original intended purpose), scraping, recycling, donating or demolishing the 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 excess to entity's mission needs.

A11. Eighteen letters were received from the following sources:

	FEDERAL (Internal)	**NON-FEDERAL (External)**
Users, academics, others		3
Auditors	3	2
Preparers and financial managers	10	

A12. Respondents were primarily supportive of the implementation guidance. Some respondents provided editorial suggestions and many were adopted. One respondent expressed the view that introduction of two key terms - temporary and permanent removal from service – which bifurcate the principles established in SFFAS 6 is inappropriate in a technical release. The AAPC believes the standards are incomplete regarding such temporary status ~~that~~ because temporary removal from service is not addressed by SFFAS 6 ~~because the standards are incomplete regarding such temporary status.~~ .Clarification regarding this matter is needed and provided through this technical release.

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Appendix B: Illustrations

Table 1: Disposal, Retirement, Removal Business Events & Financial Transactions

Table 1 below illustrates two different scenarios, associated business events, and derived financial transactions to assist in interpretation and application of the guidance described in paragraphs 11 - 15. Further, it demonstrates that both business events (steps 1 and 2) must be in place to trigger a disposal financial transaction in accordance with SFFAS 6.

Scenarios for SFFAS 6	Business Event	Financial Event	Proprietary Disposal Financial Transaction For Illustrative Purposes Only[9]
SCENERIO I: **Asset's use is terminated first and later management decides to permanently retire and/or dispose of the asset.**	Step 1: • Asset's use is terminated and removed from service (e.g., asset is vacated, abandoned, or deactivated). At this point the removal from service (*termination of use*) is deemed temporary until management documents that it has decide~~s~~ to permanently retire/dispose of the asset (shown in step 2).	Step 1: • No change in the financial event. Continue to carry book value as G-PP&E account and depreciate	None
	Step 2:	Step 2:	Debit GPP&E Permanently Removed but not yet

[9] Any combination of these accounts could be recorded depending on the specifics of the individual transactions. For further guidance on account transactions, numbers and definitions, please refer to USSGL Treasury Financial Manual (TFM) at http://www.fms.treas.gov/ussgl/tfm_releases/09-02/2010/part2_current.html.

Scenarios for SFFAS 6	Business Event	Financial Event	Proprietary Disposal Financial Transaction For Illustrative Purposes Only[9]
	• Management decides to permanently retire and/or dispose of the asset and documents its decision.	• Reclassify and remove G-PP&E and associated accumulated depreciation from the G-PP&E account. • Record asset at the net realizable value. • Any difference between the book value of the G-PP&E and the expected net realizable value should be recognized as a gain or a loss. • Recognize any unallocated/unamortized portion of the total estimated cleanup costs.	Disposed Debit Accumulated Depreciation on Improvements to Land Debit Accumulated Depreciation on Buildings, Improvements, and Renovations Debit Accumulated Depreciation on Other Structures and Facilities Debit Accumulated Depreciation on Equipment Debit Accumulated Depreciation on Assets Under Capital Lease Debit Accumulated Amortization on Leasehold Improvements Debit ~~Unrealized~~ Losses Credit ~~Unrealized~~ Gains Credit Land and Land Rights Credit Improvements to Land Credit Buildings, Improvements, and Renovations

Scenarios for SFFAS 6	Business Event	Financial Event	Proprietary Disposal Financial Transaction For Illustrative Purposes Only[9]
			Credit Other Structures and Facilities Credit Equipment Credit Assets Under Capital Lease Credit Leasehold Improvements Debit Future Funded Expenses Credit Estimated Cleanup Cost Liability
	Step 3: • Disposition is completed. The title and/or any legal interest in the asset has been transferred and/or ceased. (e.g., transfer/sale document or title has been signed and executed by the appropriate authority)	Step 3: • Write off the asset from financial records and statements. • Any difference between the expected net realizable value of the G-PP&E previously recorded and the actual disposition amount should be recognized as a gain or loss.	Debit Fund Balance With Treasury Debit Accounts Receivable Debit Losses on Disposition of Assets – ~~Realized~~ Credit GPP&E Permanently Removed but not yet Disposed Credit Gains on Disposition of Assets – ~~Realized~~
SCENERIO II: **Management decides**	Step 1: • Management decides to permanently retire and/or	Step 1: • No change in the financial event. Continue to carry	None

Scenarios for SFFAS 6	Business Event	Financial Event	Proprietary Disposal Financial Transaction For Illustrative Purposes Only[9]
to permanently retire and/or dispose of the asset while the entity continues to use/operate the asset. After the decision is made, the asset's use/operation is terminated.	dispose of the asset and documents its decision. At this point, the entity continues to use the asset.	book value as G-PP&E account and depreciate	
	Step 2: • Asset's use is terminated and removed from service (e.g., asset is vacated, abandoned, or deactivated).	Step 2: • Reclassify and remove G-PP&E and associated accumulated depreciation from the G-PP&E account. • Record asset removed at the net realizable value. • Any difference between the book value of the G-PP&E and the expected net realizable value should be recognized as a gain or a loss • Recognize any unallocated/unamortized portion of the total estimated cleanup costs.	Debit GPP&E Permanently Removed but not yet Disposed Debit Accumulated Depreciation on Improvements to Land Debit Accumulated Depreciation on Buildings, Improvements, and Renovations Debit Accumulated Depreciation on Other Structures and Facilities Debit Accumulated Depreciation on Equipment Debit Accumulated Depreciation on Assets Under Capital Lease Debit Accumulated Amortization on Leasehold Improvements Debit ~~Unrealized~~ Losses Credit ~~Unrealized~~ Gains Credit Land and Land Rights

Scenarios for SFFAS 6	Business Event	Financial Event	Proprietary Disposal Financial Transaction For Illustrative Purposes Only[9]
			Credit Improvements to Land Credit Buildings, Improvements, and Renovations Credit Other Structures and Facilities Credit Equipment Credit Assets Under Capital Lease Credit Leasehold Improvements Debit Future Funded Expenses Credit Estimated Cleanup Cost Liability
	Step 3: • Disposition is completed. The title and/or any legal interest in the asset has been transferred and/or ceased. (e.g., transfer/sale document or title has been signed and executed by the appropriate authority)	Step 3: • Write off the asset from financial records and statements. • Any difference between the expected net realizable value of the G-PP&E previously recorded and the actual disposition amount should be recognized as a gain or loss.	Debit Fund Balance With Treasury Debit Accounts Receivable Debit Losses on Disposition of Assets – ~~Realized~~ Credit GPP&E Permanently Removed but not yet Disposed Credit Gains on Disposition of Assets – ~~Realized~~

Example of Practice

B1. The example of practice shown in the following table is for illustrative purposes only. The explanations and illustrations are presented to show how the standards may be applied but are not standards themselves. These illustrations are general in nature and may not apply to specific cases that appear similar but have unique circumstances.

B2. The table illustrates a federal entity's various actions that may be considered as evidence of its management's decision to either permanently remove, retire, and/or dispose of the asset or to retain the asset for future use (i.e., temporary removal from service).

B3. A federal entity would normally categorize its assets that have been removed from service (i.e., use has been terminated) into one of the following three categories:

- retain asset for future use,
- set aside for future disposal, or
- imminent planned disposal.

B4. A federal entity would normally maintain and account for its G-PP&E in accordance with SFFAS 6 as well as the requirements for each category as established by the entity's policies and procedures. The following table outlines the processes the entity may undertake when preparing its G-PP&E for assignment to each of the categories. The actions outlined for categories 2 and 3 may be used as evidence of management's decision to permanently remove the asset from service, terminate its use and dispose of the asset. Once management's decision is identified, using scenarios in Table 1, the relevant financial transactions can be determined and recorded.

Table 2: Illustrations of Management's Actions Demonstrating Decision for Temporary or Permanent Removal/Retirement/Disposal When the G-PP&E is Not in Use

Actions Demonstrating Management's Decision	Category 1	Category 2	Category 3
	Temporary	Permanent	
	Retain for Future Use G-PP&E is not in use	Set Aside for Future Disposal G-PP&E is not in use	Imminent Planned Disposal G-PP&E is not in use
Management			
Declare and report as "Vacant"	X	X	X
Declare and report as "Excess"		X	X
Expend maintenance, sustainment, and repair funds as needed to maintain a watertight asset	X	X	X
Conduct assessment to identify environmental issues		X	X
Complete required disposal documentation		X	X
Maintenance			
Maintain utilities in acceptable condition (i.e., fully functioning)	X		
Winterize plumbing (if required by local weather conditions)	X		
Conduct sufficient grounds maintenance to preclude unsightliness	X	X	X
Maintain security to prevent vandalism and unauthorized use	X	X	X
Retain equipment and spare parts[10] on asset	X		
Install equipment and conduct maintenance procedures required to	X		

[10] Examples of spare parts may include mechanical & electrical repair parts, electronic spares, maintenance assistance modules, and ready service spares.

Actions Demonstrating Management's Decision	Category 1	Category 2	Category 3
	Temporary	Permanent	
	Retain for Future Use G-PP&E is not in use	Set Aside for Future Disposal G-PP&E is not in use	Imminent Planned Disposal G-PP&E is not in use
preserve interior space			
Decommissioning			
Clean	X	X	
Dispose of excess personal property	X	X	X
Turn off air conditioning		X	X
Maintain heat to prevent frozen pipes	X		
Disconnect utilities but maintain supply		X	X
Drain water		X	X
Disconnect utilities and remove supply		X	X
Remove air conditioning/heating units/plumbing fixtures for future use or disposal		X	X
Strip asset of attached equipment and spare parts for use on other assets		X	X
Remove all other fixtures and sell if salvageable		X	X
Dismantle asset		X	X
Remove contaminants if identified by environmental assessment.		X	X

Appendix C: Abbreviations

AAPC	Accounting and Auditing Policy Committee
FASAB	Federal Accounting Standards Advisory Board
G-PP&E	General Property, Plant, and Equipment
SFFAS	Statement of Federal Financial Accounting Standards
TR	Technical Release

Appendix D: Glossary

Term	Definition
Excess[11]	The term "excess property" means property under the control of a federal agency that the head of the agency determines is not required to meet the agency's needs or responsibilities.
Net Realizable Value	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.[12]
Obsolete[13]	Property that is no longer needed due to changes in technology, laws, customs, or operations.

[11] 40 USC Section 102
[12] FASAB Consolidated Glossary: http://www.fasab.gov/pdffiles/codification_report2008.pdf
[13] Derived from FASAB's definition for "Obsolete Inventory." See FASAB Consolidated Glossary.

AAPC General PP&E Task Force

Donjette L Gilmore, Department of Defense, Task Force Chairperson (AAPC Member)

Alaleh A. Jenkins, Department of Defense, Disposal Subgroup Leader

Task Force Member Agencies

Department of Agriculture
Department of Commerce
Department of Defense
Department of Energy
Department of Homeland Security
Department of State
Department of Transportation
Department of Veterans Affairs
Environmental Protection Agency
Government Accountability Office
General Services Administration
National Aeronautics and Space Administration
Nuclear Regulatory Commission
National Reconnaissance Office
National Science Foundation
Office of the Director of National Intelligence
US Capitol Police

Task Force Member Firms

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