CHAPTER 16

REVOLVING FUND ASSET ACCOUNTING

16-1. General.

a. The general policy and procedures in Chapter 15, Accounting for Property, Plant and Equipment (PP&E), apply to assets owned by the USACE Revolving Fund. This chapter prescribes additional accounting policy and procedures for Revolving Fund assets.

b. ER 37-1-29, Financial Management of Capital Investments, contains policy for Revolving Fund assets purchased through the Plant Replacement and Improvement Program (PRIP).

16-2. Policy.

a. Acquisition of Revolving Fund Assets.

(1) Assets acquired to serve more than one civil works project or multiple appropriations will be acquired in the USACE Revolving Fund. Assets are capitalized for accounting purposes based on the asset criteria in ER 37-1-30, Chapter 15.

(2) Revolving Fund assets below the investment threshold are acquired by all USACE activities using appropriate operating funds (departmental overhead, general and administrative (G&A) overhead, area office overhead, or shop and facility operating accounts). Operating funds may be used to acquire personal property below the capital investment threshold when the property will be used to provide services to military appropriations with reimbursement.

(3) Revolving Fund assets which meet or exceed the investment threshold are financed through the Plant Replacement and Improvement Program (PRIP) program. The Revolving Fund recoups the cost for financing PRIP assets through the application of depreciation expense and plant increment surcharge. PRIP funds shall not be used to finance PP&E solely for the benefit of military projects or appropriations; any such property will be funded by military appropriations. PRIP assets acquired for civil works functions may incidentally benefit military functions with reimbursement by military appropriations.

b. Establishment of Service Lives.

(1) The service life of a Revolving Fund asset is established in accordance with ER 37-1-30, paragraph 15-7.

(2) In the event that the service life of a Revolving Fund asset was originally established as greater than the number of years determined above and correction of the service life would significantly increase the plant rental rate of the asset, HQUSACE approval may be requested to waive or delay correction of the originally established service life. If approved, a copy of the waiver will be placed in the asset file.

c. Salvage Value. A salvage value of zero will be used for all Revolving Fund assets. An exception to this policy may be authorized for PRIP assets if the estimated salvage value exceeds ten percent of the asset's cost; approval of CECW-OM-B and CERM-F is required.

d. Depreciation. Straight line depreciation is charged on all Revolving Fund assets except assets in the process of acquisition or disposal.

e. Plant Increment. Plant increment is the surcharge to fund the increased cost of replacement over the original life of a PRIP-funded asset. CERM-F publishes plant increment rates on an annual basis.

(1) All assets acquired under the PRIP program are subject to plant increment, excluding assets in the process of acquisition or disposal, land, leasehold improvements, and capital leases.

(2) An exception to this policy may be authorized for a fully depreciated PRIP asset when there is documented evidence that the asset will not be replaced under PRIP authority or a replacement will cost less than the asset currently in use. When these conditions are met, Commanders of Major Subordinate Commands (MSC) may approve a request to discontinue plant increment on an asset with initial acquisition cost up to $300,000 and may delegate up to half of that authority to a District Commander. A request to discontinue plant increment for an asset with initial cost over $300,000 must be submitted to CERM-F for approval.

f. Additions and Betterments (A&B) 35 Percent Rule. If the total cost of an A&B is equal to or greater than 35 percent

of the estimated replacement cost of an item, a new acquisition cost will be determined by adding the remaining book value and the cost of the A&B. A new useful life will be assigned based upon the condition of the original item and the scope of improvements resulting from the A&B. Plant increment and depreciation will begin from the date the A&B is completed, using the completion date of the A&B as the new date of acquisition, the new acquisition (book) cost, and the new useful life in the computations. The total cost of A&B not meeting the 35 percent criteria will increase the book cost to be used in the computations with the original date of acquisition and the original useful life.

g. Insurance. As a self-insured entity of the Federal Government, USACE ensures that risks incurred by virtue of owning and operating Revolving Fund assets are mitigated. Insurance premiums are charged on all PRIP-funded assets on a monthly basis to fund a reserve for loss or damage to these assets. HQUSACE may temporarily suspend insurance premiums based upon an analysis of funds held in the insurance reserve at the USACE level and the anticipated liability for insurance claims. Amounts collected for insurance are transferred to HQUSACE on a quarterly basis.

(1) Insurance is charged on all PRIP-funded assets. Only PRIP-funded assets are covered by insurance.

(2) Land and capital leases are not subject to insurance and are not covered by insurance.

(3) Requests to use insurance funds for loss or damage of PRIP assets must be approved by CERM-F. Requests for approval must include a report of survey, the property identification number, and other documentation needed to prove the nature, cause, monetary value of the loss, and book value of the lost or damaged asset. Requests will be considered for the following:

(a) Costs to economically repair a damaged asset;

(b) Remaining book value for an asset lost or damaged beyond economical repair;

(c) Incremental costs of the activity resulting from loss, damage, or unavailability of the asset during repairs.

(4) Replacement of a structure or item of equipment damaged beyond economical repair will be accounted for as a new procurement. The requirements for capitalization and PRIP authorization apply.

(5) Insurance funds may not be used for maritime and tort claim payments.

h. Plant Operating Accounts.

(1) Plant operating accounts are established to record the expenses associated with operation of Revolving Fund plant and equipment, along with income received from rental of those assets.

(a) A group operating account is established to accumulate expenses and income for operation of multiple assets of a similar nature. A single plant rental rate is established for all assets in the group. The single rate provides an equitable method of distribution to all customers for rental of the same type of plant.

(b) A non-group plant operating account is required for all remaining plant items. A separate rate is established for each item of non-group plant. A non-group plant operating account and rate are required for each of the following:

-aircraft;

-major floating or land plant item;

-structure having estimated replacement cost of $200,000 or more;

-other plant item having estimated replacement cost of $300,000 or more;

-any remaining assets not in a group.

(2) Asset managers are responsible for establishing and managing rates to recover the cost of operating Revolving Fund plant. In conjunction with Resource Management personnel, operating accounts will be reviewed on at least a quarterly basis to ensure that balances are sufficient to recover operating expenses and reasonable amounts for anticipated repair or overhaul. Reviews will be documented and plant rates will be adjusted to maintain proper account balances and ensure equitable distributions to customers.

(3) Upon disposal of non-group PP&E, the plant operating account balance is transferred to a non-operating income or loss

account. A group plant operating account balance is transferred to a non-operating income or loss account when all items included in the group are disposed of. When not all items in a group are disposed, the plant rental rate must be reviewed and revised as necessary.

(4) Revolving Fund assets purchased with departmental or G&A overhead funds do not use plant operating accounts. Any expenses related to operation of the asset are charged to the owning organization's overhead account.

i. Loan of Plant.

(1) The usage rate for plant loaned between USACE commands is charged from the time the plant leaves the owning command until it is returned. Chargeable time for plant borrowed by subsequent commands before it is returned is charged to each command from the time it leaves the previous command until it departs to another command or is returned to the previous borrowing command or the owning command.

(2) Revolving Fund-owned plant is not loaned to states, their political subdivisions, or private parties. An exception is allowed for emergency use to save life or property where an urgent and essential need exists and all efforts to obtain such plant from private sources have failed. The rental rate for such use is the current rate plus a 25% surcharge to protect public interests.

j. Revolving Fund Plant in Mothball Status. Assets temporarily removed from service with the expectation that the assets will be eventually returned to service may be placed in mothball status. Approval of CECW-O in coordination with CERM-F is required to place a PRIP asset in mothball status and will rarely be granted. Depreciation will continue to be charged on assets in mothball status. Plant increment will continue to be charged unless specifically waived by CECW-O. Mothball status will not be used to circumvent plant increment charges.

(1) As soon as mothball status is anticipated, the plant rental rate will be adjusted to include estimated mothball costs for remaining work.

(2) Mothball expenses to store the plant with minimal deterioration are charged to the plant operating account.

(3) Insurance premiums continue to be charged to the plant operating account. In the event of accidental damage to or

loss of the plant, the insurance account will bear the cost to repair the damage or the remaining book value of the plant for total loss.

(4) The plant operating account for plant in a mothball account remains active until final disposition of the asset.

k. Conversion or Reclassification.

(1) A plant item converted or reclassified from one type to another is processed as a new plant item acquisition.

(2) The book value of the converted or reclassified plant, plus conversion or reclassification cost, less credit for salvaged materials is the new book value.

(3) PRIP authority is required if the cash outlay exceeds the investment threshold in Chapter 15, Appendix A.

(4) The net remaining plant operating account balance is recouped through the converted or reclassified item's use rate for a non-group plant account item or the rate for remaining items of a group account.

16-3. Procedures.

a. Accounting procedures for Revolving Fund assets are available at the following website: https://kme.usace.army.mil/CoPs/ResourceManagement/FAPolicy/default.aspx.

b. The Corps of Engineers Financial Management System (CEFMS) user manual at https://cefmsdev2.usace.army.mil/cefmsdoc/ provides detailed financial system procedures for asset management.