Chapter 16

REVOLVING FUND ASSET ACCOUNTING

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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) Standard recovery periods (service lives) are used for all Revolving Fund assets. Recovery periods are shown in Appendix A. The asset manager must reduce the prescribed recovery period based upon a determination that the asset will not remain in service for the current life.

(2) Activities must request HQUSACE approval to use a recovery period which exceeds the period shown in Appendix A. Submit all requests to CERM-F. If approved, a copy of the waiver will be placed in the asset file.

c. Salvage Value. A salvage value of zero is 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. Component depreciation is used for additions and betterments (A&Bs) placed in service after 1 October 2010. Component accounting allows depreciation on the A&B portion of an asset to be computed over its own separate recovery period. The recovery period of the A&B may not exceed one-half of the life of the original asset or the remaining useful life of the asset, whichever is less.

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 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 submit a request for waiver of plant increment to CERM-F.

(3) The component method is used to calculate plant increment for additions and betterments (A&Bs) placed in service after 1 October 2010. The plant increment computation on the A&B cost uses the annual factor for the year the A&B is placed in service.

f. 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.

g. 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. 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.

h. 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.

i. 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 and CERM-F. 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.

j. 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.

k. Trade-in. Revolving Fund assets may only be traded in for value towards another Revolving Fund asset.

l. Donation and Disposal. Proceeds from the disposal of Revolving Fund assets are credited to the Revolving Fund. PRIP assets are not donated, sold or transferred at nominal value, or converted for other beneficial use by others if such action will result in a loss of revenue to the Revolving Fund. MSCs must submit all requests for exception to this policy to CERM-F for approval. The request must include the property identification number and the book value of the asset.

16-3. Procedures. Accounting procedures for Revolving Fund assets are available on the CERM-F Share Point website and the Corps of Engineers Financial Management System (CEFMS) Asset Management Users Manual.

APPENDIX A

Standard Recovery Periods for Revolving Fund Assets

PROPERTY CATEGORY	DESCRIPTION	RECOVERY PERIOD
05 - Buildings	Buildings, Hangers, Warehouses, Fuel Storage Buildings, and Other Real Property Buildings	40 Years
05 - Buildings	Improvements to Buildings and Other Real Property	20 Years
LH - Leasehold Improvement	Improvements to Leased Buildings and Other Real Property (Leasehold Improvements)	5 years or remainder of lease period, whichever is less
10 - Structures	Other Real Property Structures, Fences, Roads, Bridges, Towers, Ship and Railroad Wharves and Docks, Dry Docks, Fuel Storage Facilities	20 Years
10 - Structures	Improvements to Structures	10 Years
20 - Aircraft	Aircraft	Maximum of 40 Years[1]
30 - Dredges	Hopper, Side-caster, Special Purpose, Pipeline, Dustpan, Cutter Head	Maximum of 50 years[1]
40 - Other Floating Plant	Anchor Barge, Bank Grader, Bank Grading Plant, Buoy Barge, Crane Barge, Crane Dragline, Debris Boat, Deck Cargo Barge, Derrick Boat, Dry Dock, Fuel Barge, Mat Sinking Plant, Mooring Barge, Other Items, Patrol Boat, Pontoons, Quarter Boat, Service Barge, Shop Barge, Snag Boat, Survey Boat, Swath Vessel, Tender, Towboat, Gate lifter, Deck Barge	Maximum of 40 Years[1]
40 - Other Floating Plant	Other Vessels, Tugs, Barges and Similar Water Transportation Equipment (all floating plant not listed in 40-year category above)	20 Years

PROPERTY CATEGORY	DESCRIPTION	RECOVERY PERIOD
5V - Passenger Vehicles	Passenger Vehicles (Includes Heavy Duty Trucks and Buses)	5 Years[2]
5X - Other Mobile Land Plant	Dump Trucks, Tractors, Dozers, Forklifts, Cranes, Trailers, Concrete Mixers, Mobile Generators	10 Years
5X - Other Mobile Land Plant	Drill Rigs	Maximum of 20 Years[1]
6C - Communication Equipment	Radio and Television Broadcasting Equipment	5 Years[2]
6X - Fixed Land Plant	Pumps, Welders, Laboratory Equipment, Marine Railway Equipment, Power Equipment (Saws, Lathes, Drill Presses), Printing and Reproduction Equipment, Printing Plant, Communication Backbone or Microwave System	20 Years
70 - Tools, Office Furniture & Equipment	All Other Tools, Office Furniture, and Other Equipment. (Hand tools, power tools, concrete vibrators, pavement breakers, air hammers, office equipment, library equipment, furniture, conventional and modular furniture, survey equipment)	10 Years
80 - Software	Internal Use Software	5 Years[3]
9A - Computers and Peripheral Equipment	Computers and Peripheral Equipment	5 Years[2]
9D - CADD	Computer Aided Design and Drafting (CADD) Equipment	5 Years[2]
9W - WCDS	Water Control Data System Equipment (WCDS)	5 Years[2]
	Improvements to Personal Property with 5-year Recovery Period	5 Years
	Improvements to Personal Property with 10-year Recovery Period	5 Years
	Improvements to Personal Property with 20-year Recovery Period	10 Years

PROPERTY CATEGORY	DESCRIPTION	RECOVERY PERIOD
	Improvements to Personal Property with 40-year Recovery Period	20 Years
	Improvements to Personal Property with 50-year Recovery Period	Maximum of 25 Years[1]

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5V - Passenger Vehicles	Passenger Vehicles (Includes Heavy Duty Trucks and Buses)	5 Years[2]
5X - Other Mobile Land Plant	Dump Trucks, Tractors, Dozers, Forklifts, Cranes, Trailers, Concrete Mixers, Mobile Generators	10 Years
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6C - Communication Equipment	Radio and Television Broadcasting Equipment	5 Years[2]
6X - Fixed Land Plant	Pumps, Welders, Laboratory Equipment, Marine Railway Equipment, Power Equipment (Saws, Lathes, Drill Presses), Printing and Reproduction Equipment, Printing Plant, Communication Backbone or Microwave System	20 Years
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