Chapter 16

REVOLVING FUND ASSET ACCOUNTING

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CHAPTER 16

REVOLVING FUND ASSET ACCOUNTING

16-1. General.

a. Asset Policy and Procedures.

(1) The general policy and procedures in Chapter 15, General Asset Accounting, apply to Revolving Fund owned property, plant, and equipment.

(2) This chapter prescribes specific additional accounting policy and procedures for Revolving Fund owned property, plant, and equipment.

b. Plant Replacement and Improvement Program (PRIP). Policy on the Plant Replacement and Improvement Program (PRIP) is in ER 37-1-29.

16-2. Policy.

a. Revolving Fund Owned Property, Plant, and Equipment.

(1) Revolving Fund owned property, plant, and equipment serves more than one civil works project or appropriation and is not appropriately acquired with one appropriation.

(2) Revolving Fund owned property, plant, and equipment must meet capitalization criteria.

(3) The Revolving Fund finances acquisition and operation of capital assets and distributes appropriate costs to benefiting project funds.

(4) The Revolving Fund may not acquire property, plant, and equipment solely for the benefit of military projects. However, Revolving Fund assets acquired for civil works functions may incidentally benefit military functions with reimbursement to the Revolving Fund from military funds.

b. Plant Replacement and Improvement Program (PRIP). The Revolving Fund finances PRIP authorized property, plant, and equipment items that are classified as capital assets.

c. Revolving Fund Repayment For Assets. The Revolving Fund recoups costs for financing property, plant, and equipment through depreciation expense and plant increment surcharge.

(1) Depreciation.

(a) Depreciation on Revolving Fund property, plant and equipment is the systematic recovery of acquisition cost over the estimated number of economic useful life years of the asset.

(b) Depreciation is charged on all Revolving Fund owned structures and equipment except those in process of acquisition or disposal, or in mothball status.

(c) The straight-line depreciation method is used to allocate depreciation expense to appropriate plant and equipment operating accounts.

(d) Salvage value is the amount that may be expected to be obtained from sale of an asset at the end of its useful life. Personal property typically will not have a salvage value, but assets such as vehicles, boats, cranes, forklifts, tractors, etc. can have a material salvage value. If salvage value exceeds ten percent of the asset's cost and the activity is permitted to retain and use the salvage proceeds, salvage value may be used for computing depreciation. Real property assets do not have salvage values for computing depreciation.

(e) The estimated number of economic useful life years of Revolving Fund owned assets must be properly managed to ensure appropriate depreciation charges and must be reviewed at least every two years. Change in economic, obsolescence, or technical factors may require estimated economic useful life years adjustment. This is the only change authorized for estimated economic useful life years.

(f) Unrecovered depreciation remaining upon disposal of an asset is charged to non-operating loss. HQUSACE will monitor these charges to ensure owning commands perform the required reviews and effectively manage the useful life.

(2) Plant Increment.

(a) Plant increment is a surcharge for increased cost of replacement over the original cost of Revolving Fund owned structures and equipment to maintain purchasing capability.

(b) An asset authorized under the PRIP is subject to plant increment until disposal.

(1) Exceptions to this requirement are assets in process of acquisition or disposal, leasehold improvements, capital leases, land, and assets in mothball status.

(2) An exception may also be authorized for a fully depreciated capital asset when there is documented evidence that it will not be replaced under PRIP authority or a replacement will cost less than the asset currently in use. A MSC Commander 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 acquisition cost over $300,000 must be coordinated through the MSC and submitted to the HQUSACE Director of Resource Management (CERM-F) for approval.

(c) HQUSACE provides current increment rates each year.

d. Insurance.

(a) As a self-insured entity of the Federal Government, USACE ensures that risks incurred by virtue of owning and operating a variety of Revolving Fund assets are mitigated to recover losses to Revolving Fund owned assets.

(b) Insurance premiums are charged for all structures and equipment in service and warehouse stocks with book values.

(c) Insurance premiums are not charged for land or capital leases, which are not covered by insurance.

(d) Monthly insurance premiums for the insurance account reserve amount are charged to plant operating accounts.

(e) A reasonable Revolving Fund amount is held in reserve to mitigate asset losses.

(f) Charges to the insurance account must be approved by CERM-F and will be considered for the following:

* Costs to economically repair a damaged asset.

* Remaining book value for an asset lost or damaged beyond economical repair.

* Tort claim payments up to $2,500.00 for personal injuries and property damages caused as a result of operating Revolving Fund capitalized property.

e. Plant Operating Accounts.

(1) A plant operating account captures costs to operate an asset or group of assets and receives reimbursement from benefiting projects.

(2) A plant operating account use rate is established to distribute equitable charges for units of use. Use rates are reviewed quarterly to ensure appropriate charges to customers and maintain proper account balances.

(3) Plant operating accounts are categorized into either Group or Non-Group.

(a) A Group plant operating account is maintained for multiple plant items where expenses are accumulated as a group and use rates are the same.

(b) A Non-Group plant operating account is maintained for each plant item not included in group plant items. Each of the following must be accounted for as a Non-Group item:

* Aircraft.

* Major floating or land plant item.

* Structure having estimated $200,000 or more replacement cost.
* Other plant item having estimated $300,000 or more replacement cost.

f. Loan.

(1) The use 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.

g. Mothball. A mothball account is only to temporarily preserve and store Revolving Fund plant that is no longer needed, when future need is anticipated and disposal is not appropriate. Mothball status is not to be used to circumvent depreciation or increment expenses. Approval of CECW-O in coordination with CERM-F is required to place an asset in mothball status and will rarely be granted.

(1) As soon as mothball status is anticipated, plant use rates 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 for plant in a mothball account. In the event of accidental damage to or loss of the plant, the insurance account pays 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 plant asset disposition.

h. 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) Current PRIP authority is required if cash outlay in FY 04 or prior is $25,000 or more or in FY 05 or later is $250,000 or more.

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

i. Transfer.

(1) Intra-Revolving Fund transfer between USACE Commands.

(a) Transfer of excess property, plant, and equipment between USACE commands under continuing Revolving Fund ownership is accomplished at book value without transfer of funds. A transfer in must be recorded within the same accounting period as the transfer out.

(2) External transfer.

(a) A fully depreciated asset with no remaining book value is transferred without reimbursement between the Revolving Fund and another USACE civil or military appropriation.

(b) Transfer of excess property, plant, and equipment between the Revolving Fund and another federal agency is accomplished without reimbursement. Any remaining book value is recognized as a loss to the Revolving Fund.

j. Sale To or From Other USACE Appropriations.

(1) Excess Revolving Fund property, plant, and equipment with remaining book value may be sold to another USACE civil or military appropriation that has need of the asset. The gaining appropriation must have appropriate procurement approval to purchase the asset at book value.

(2) Excess civil or military appropriation owned property, plant, and equipment may be sold to the Revolving Fund with proper PRIP authorization.

k. Disposal.

(1) General property, plant, and equipment will be removed from the asset account along with associated accumulated depreciation or amortization.

(a) Removal will be in the period of disposal, retirement, or removal from service.

(b) A difference between book value and amounts realized will be recognized as a gain or loss in the period.

(2) General property, plant, and equipment that no longer provides service in the operations of the entity prior to disposal, retirement or removal from service will be removed from the general property, plant, and equipment account along with associated accumulated depreciation.

(a) Removal could be because an asset has been damaged, becomes obsolete before expected, or is excess.

(b) The asset will be recorded in the other general property, plant and equipment account at its expected net realizable value (NRV).

(c) Any difference in the book value of the property, plant, and equipment and its expected net realizable value will be recognized as a gain or loss to the Revolving Fund in the period of adjustment.

(d) The expected net realizable value will be adjusted at the end of each accounting period and any further adjustments in value recognized as a gain or loss.

(e) No additional depreciation or amortization will be taken when an asset is removed from a general property, plant, and equipment account in anticipation of disposal, retirement, or removal from service.

(3) The difference between the current book value and the final disposition sale price of an asset is transferred to a non-operating gain or loss account.

(4) The plant operating account balance is transferred to non-operating gain or loss on final disposition of a non-group plant account or all items in a group plant account.

16-3. Procedures.

a. Revolving Fund asset accounting procedures. Property, plant, and equipment accounting procedures are found at: http://www.usace.army.mil/inet/functions/rm/finance/finance.htm.

b. Financial Management System. The Corps of Engineers Financial Management System (CEFMS) user manual at http://rmf31.usace.army.mil/cefmsdoc provides detailed financial system procedures for asset management.