

APPENDIX D

DEPRECIATION, PLANT INCREMENT AND  
INSURANCE INCOME

D-1. Depreciation.

a. Purpose. Depreciation is the allocation of acquisition cost of an asset over the estimated useful life. This allocation is also the income by which all investment cost is recouped in the Revolving Fund. The straight-line depreciation method of allocating cost is used by the Corps of Engineers.

b. Applicability. Depreciation is charged on all Revolving Fund with remaining book value owned assets except those in process of acquisition or disposal, or in mothball status. Depreciation begins when an item is placed in service. Guidelines for the discontinuance of depreciation on assets in disposal or mothball status can be found in the financial regulations.

c. Income. Depreciation income from Revolving Fund owned assets is recouped quarterly in the current fiscal year by the USACE Finance Center for Headquarters.

D-2. Plant Increment.

a. Purpose. Plant increment is a surcharge for increased cost of replacement over the original cost of an asset. It is charged on all Revolving Fund owned structures and equipment to maintain purchasing capability. Plant increment is also income and is recouped in the Revolving Fund.

b. Applicability. An asset authorized under the PRIP is subject to plant increment while it is in service and there is no approved waiver. Exceptions to this requirement are assets in mothball status or in process of acquisition or disposal; leasehold improvements; capital leases; land; or fully depreciated capital assets for which there is documented evidence that they will not be replaced under PRIP authority.

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c. Income. Plant increment income from Revolving Fund owned assets is recouped quarterly in the current fiscal year by the Corps Finance Center for Headquarters.

D-3. Plant Increment Rates. Plant increment rates are calculated by HQUSACE (CERM-F/CECW-OD) annually using cost indices posted on the Bureau of Labor Statistics and Engineering News Record websites.

a. The cost indices used for calculating rates for aircraft, vessels (ships) and manufactured goods (finished goods) are posted on the Bureau of Labor Statistics website, [www.bls.gov](http://www.bls.gov).

(1) For Aircraft, the Producer Price Index for Transportation Equipment, Aircraft, Not Seasonally Adjusted is used.

(2) For Vessels, the Producer Price Index for Transportation Equipment, Ships, Not Seasonally Adjusted is used.

(3) For Manufactured Goods, the Producer Price Index for Group SOP Stage of Processing, Finished Goods, Not Seasonally Adjusted is used.

b. The cost index used for calculating rates for structures is posted on the Engineering News Record website [www.enr.com](http://www.enr.com) as Building Cost Index History.

D-4. Insurance.

a. Purpose of Insurance. Insurance is a surcharge assessed to provide a reserve to be available for absorption of losses and damages to Revolving Fund owned assets and warehouse stock. This reserve enables the Corps to insure against losses and damages without assessing the full cost of such losses to the current benefiting projects/activities at the time of the loss. The charges for insurance premiums will be included in the operating expenses of the activity in which the insured asset is used. For example, insurance premiums covering warehouse stock,

warehousing structures, and warehouse equipment will be charged to Warehouse Operating Expense; premiums for shops and yards structures will be charged to the shops and yards operating accounts; and premiums for a dredge will be charged to the applicable plant operating account.

b. Applicability. All Revolving Fund owned plant in service and warehouse stocks with book values are subject to insurance charges. No insurance will be charged on land or plant being acquired under a capital lease. When Revolving Fund owned structures are utilized by other Government agencies free of charge, insurance applicable to such structures or portion of structures utilized will continue to be accrued.

c. Use of the Insurance Account for Revolving Fund Owned Assets. The insurance account will be used to absorb losses of book value at the time of the loss or repair. Book value is the undepreciated amount of the acquisition cost. Reports of survey will be used to determine repair versus replacement of the asset. Financial accounting records and the Report of Survey will be used to support payments from the insurance account. If the asset requires replacement and it meets PRIP criteria, submit in the normal budgetary cycle or as a current year out-of-cycle request.