

CHAPTER 15
REVOLVING FUND FIXED ASSET ACCOUNTING

15-1. Purpose. This chapter prescribes the accounting procedures pertaining to plant, properties, and equipment owned by the Revolving Fund.

15-2. Fixed Assets. The accounts in this category reflect the book value of all real and personal property owned by the Revolving Fund.

15-3. Plant Replacement and Improvement Program (PRIP). All plant, property, and equipment, meeting the capitalization criteria, purchased to serve more than one civil works project or multiple appropriations required for civil works activities will be acquired through PIP (ER 1125-2-301). Plant, property, and equipment which is required to serve military projects may not be acquired through the PIP, except that acquisitions made for civil works functions might incidentally furnish services to military activities on a reimbursable basis.

15-4. Useful Life. In an effort to simplify the accounting procedures contained in this chapter the term "useful life" will be used as being synonymous with the terms "service life" and "economic life." Useful life is defined as the normal operating life in terms of utility to the owner. The GAO Policy and Procedures Manual For Guidance of Federal Agencies uses both useful life and service life interchangeably. Nongovernmental accounting texts commonly use the term "useful life" when referring to the capitalization and depreciation of assets. Appendix 15-B contains a table which indicates the minimum and maximum total useful life which will be used in computing the annual amounts of charges for depreciation, insurance and plant increment.

15-5. General Ledger Account (GLAC) 301.000 Plant Properties and Equipment. This GLAC includes the book cost of all land, structures, and equipment owned, in service, and operated by the Revolving Fund.

a. GLAC 301.100 Land. This GLAC is maintained to reflect the investment in Revolving Fund owned land. This GLAC is supported by the following subsidiary ADP workcode:

ER 37-2-10
Change 66
1 Oct 91

VW70 - Land. A separate cost account will be maintained under this caption for each installation (e.g., district office, shops and yards, laboratory, etc.) and will include the cost of land owned by the Revolving Fund. Costs to be reflected in this account include: the purchase price (by negotiation or condemnation); the expenses of acquisition, such as mapping, surveying, appraising, negotiating, etc.; and the cost of relocations necessary for the unhampered use of the land. The cost accounts will be identified by the number VW70 followed by a subaccount designator and descriptive title. The items included in these accounts will be referenced therein by tract identification and acreage.

b. GLAC 301.200 Structures and Equipment. This account includes the cost of all depreciable structures, operating equipment, construction equipment, office equipment, etc. This GLAC is supported by the following ADP workcodes:

VW71NNNN.....	Structures
VW72NNNN.....	Aircraft
VW73NNNN.....	Dredges
VW74NNNN.....	Floating Plant
VW75NNNN.....	Mobile Land Plant
VW76NNNN.....	Fixed Land Plant
VW77NNNN.....	Tools, Office Furniture & Equipment

(1) VW71 - Structures & Other Improvements to Land. The cost accounts under this caption will be maintained for each installation (e.g., district office, shops and yards, laboratory, etc.) and will include the cost of acquisition; construction, including site preparation; additions and betterments of buildings and/or facilities to house, support, or safeguard property or persons; roads; railroads; parking areas; utility distribution lines; cost of improvements to land such as grading, bulkheads, and fill; and the related provision for depreciation. Subdivision of this account will be maintained for each structure.

(2) VW72 thru VW76 - Operating Equipment. The cost accounts under this caption include the cost of acquisition; construction; additions and betterments; special foundations or supports; and initial supply of tools and equipment meeting the criteria for capitalization as outlined in Chapter 1. A separate subaccount will be maintained for each item of equipment included in the VW72 thru VW74 series of accounts. These items are classified as non-group items. A listing of items included in this category are provided in Appendix 15-A. As a minimum, a

separate subaccount will be maintained for all like items included in the VW75 account. At the discretion of the USACE Command, separate subaccounts will be maintained for each item to facilitate dispositions.

VW72 - Operating Equipment - Airplanes. The subdivisions of this account will include aircraft owned by the Revolving Fund.

VW73 - Operating Equipment Dredges. The subdivisions of this account include all dredges and dredging equipment owned by the Revolving Fund.

VW74 - Operating Equipment - Other Floating Plant. The subdivisions of this account include floating plant, other than dredges and dredging equipment, owned by the Revolving Fund. Floating Plant is a classification of plant and equipment comprised of all, other than dredges, motor vessels, barges, boats, and special. equipment attached thereto.

VW75 - Operating Equipment - Mobile Land Plant. Mobile Land Plant is a classification of plant and equipment comprised of passenger vehicles; construction and mobile cranes; forklifts; drill rigs; compressors; welding machines; pumps; or other plant intended to be used on multiple projects.

VW76 - Operating Equipment - Fixed Land Plant . Fixed Land Plant is a classification of plant comprised of marine railway equipment, including tracks, cradles, winch, prime mover, and similar related items; shops and fixed power equipment, including saws, lathes, drill presses, etc.; printing and reproduction equipment; data processing equipment; communications equipment; or other equipment for use by facilities which are therefore not available for general USACE Command use. The subdivisions of this account will be maintained primarily by using departments (e.g., plant, each warehouse, shop, facility, etc.) of the Revolving Fund. Plant operating accounts will not be maintained for these items. Depreciation, plant increment, insurance, maintenance, and other operating expenses will be charged to the appropriate income and expense cost accounts of the using departments. Floating plant, vehicles, or items properly chargeable to other prescribed asset accounts will not be included herein.

(3) VW77 - Tools, Office Furniture and Equipment. The cost accounts under this caption include the cost of

ER 37-2-10
Change 80
25 Apr 94

nonexpendable property items for general office use and the related provision for depreciation. Accounts will be subdivided primarily by functional offices within the USACE command. It is the responsibility of the USACE Commander to establish adequate depreciation rates for these accounts to ensure that at the end of each fiscal year the remaining book value will approximate the actual worth of the equipment as of that date.

VW771 - Office Furniture and Equipment. This subdivision includes office furniture and equipment, such as desks, chairs, tables, filing cabinets, calculating and accounting machines, typewriters, reproduction equipment when not assigned to central reproduction plant, electric fans and portable air conditioner units, messenger carts, and library equipment.

VW772 - Survey Equipment. This subdivision will be further subdivided as follows:

VW7721 - Survey Equipment. This subdivision includes Equipment utilized in the performance of survey work, such as transits, levels, tripods, theodolites, plane tables, cameras, binoculars and telescopes, and level rods.

VW7722 - Drafting Equipment. This subdivision includes furniture and equipment items utilized in the performance of drafting and design engineering work, such as drafting tables and stools, drafting machines.

VW773 - Work Tools. This subdivision includes hand tools, power driven portable or mobile tools and equipment for general USACE Command use, such as concrete vibrators, pavement breakers, air hammers, electric and gasoline powered saws, drills and attachments, and paint sprayers.

* (4) VW78 - Software. The accounts under this caption include all costs related to the acquisition/development and enhancement of computer software which meets the capitalization criteria. This account will be subdivided as provided below. It is the responsibility of the USACE Commander to establish adequate depreciation rates for these accounts to ensure that, at the end of each fiscal year, the remaining book value will approximate the actual worth of the software as of that date.

VW781 - Commercial Off-the-Shelf Software. Effective 1 October 1993, this subaccount is used to record the cost of all acquisitions and/or upgrades of commercial off-the-shelf software which meet the capitalization criteria. This

*

* subaccount will also be used to record the acquisition of commercial off-the-shelf software modified/tailored by the vendor to meet unique USACE requirements which meets the capitalization criteria. This subaccount will not be used to record the acquisition of custom software which meets the capitalization criteria developed especially for USACE commands by a commercial vendor under the contract to the USACE command. For accounting and cost tracking purposes, software of this type is considered to be system software. Accordingly, acquisitions of this type of software will be recorded in the VW782 and/or VW783 subaccounts. In order to ensure accurate reporting and financial statements, the cost of all commercial off the shelf software acquired before the effective date recorded in another asset account must be transferred to this account as soon as possible but no later than 31 August 1994.

VW782 - System Software Development. Effective 1 October 1993, this subaccount is used to record the acquisition of all system software which meets the capitalization criteria developed especially for use by USACE commands. It will include the acquisition cost of system software which meets the capitalization criteria regardless of whether the software is developed by a commercial vendor or in-house resources. A separate subaccount will be established for each system in accordance with procedures contained in Chapter 5, EP 37-2-1.

VW783 - System Software Enhancement. Effective 1 October 1993, this subaccount is used to record the acquisition of enhancements to capitalized system software previously placed in service. It will include the acquisition of all enhancements whether the enhancement is made by a commercial vendor or with in-house resources. A separate subaccount will be established for each system in accordance with procedures contained in Chapter 5, EP 37-2-1.

(5) VW79 - Computers, Peripherals and Computer Aided Equipment. The cost accounts under this caption include the acquisition cost of computers, peripherals (monitors, keyboards, printers, terminals, servers, etc.) and computer aided equipment which meet the capitalization criteria and additions and betterments to capitalized assets of these types previously placed in service. This account will be subdivided as provided below. It is the responsibility of the USACE Commander to establish adequate depreciation rates for these accounts to ensure that, at the end of each fiscal year, the remaining book value will approximate the actual worth of computers, peripherals and computer aided equipment as of that date.

*

ER 37-2-10
Change 80
25 Apr 94

* VW791 - General Purpose Computers and Peripherals. Effective 1 October 1993, this subaccount is used to record the acquisition cost of general purpose computers and peripherals such as the Harris and CEAP-IA computers which are designed to support multiple automated information systems and/or business functions and meet the capitalization criteria. This subaccount will also be used to record the acquisition cost of personal computers which meet the capitalization criteria and the acquisition cost of additions and betterments to capitalized general purpose computers and peripherals previously placed in service. Software installed in a computer to make it function for its intended purpose is considered a part of the computer and will be included in the acquisition cost recorded in this account. In order to ensure accurate reporting and financial statements, the cost of all general purpose computers and peripherals acquired before 1 October 1993 recorded in another asset account must be transferred to this account as soon as possible but no later than 31 August 1994.

VW792 - System Specific Computers and Peripherals. This subaccount will be used to record the acquisition cost of computers and peripherals intended and/or designed for use in support of a single software system such as CEALS and SAACONS which meet the capitalization criteria. This account will also be used to record the acquisition cost of additions and betterments to capitalized system specific computers and peripherals previously placed in service. A separate subaccount will be established for equipment related to each supported system in accordance with procedures contained in Chapter 5, EP 37-2-1. Software installed in a computer to make it function for its intended purpose is considered a part of the computer and will be included in the acquisition cost recorded in this account. In order to ensure accurate reporting and financial statements, the cost of all system specific computers and peripherals acquired before 1 October 1993 recorded in another asset account must be transferred to this account as soon as possible but no later than 31 August 1994.

VW793 - Reserved for Future HQUSACE Use.

VW794 - Computer Aided Equipment. Effective 1 October 1993, this subaccount is used to record the acquisition cost of computer aided equipment such as CADD and Global Positioning System equipment which meets the capitalization criteria. This subaccount will also be used to record the acquisition cost of additions and betterments to capitalized items of these types previously placed in service. Software installed in the

*

* equipment to make it function for its intended purpose is considered a part of the equipment and will be included in the acquisition cost of the equipment recorded in this account. In order to meet information management reporting requirements, a separate subaccount will be established for each type of equipment/system in accordance with procedures contained in Chapter 5, EP 37-2-1. The cost of computer aided equipment acquired before 1 October 1993 recorded in another asset account must be transferred to this account as soon as possible but no later than 31 August 1994. *

15-6. Acquisition by Purchase or Construction.

a. GLAC 307.00 Plant Acquisition in Progress. This GLAC is maintained to accumulate all costs incurred in acquiring land, structures, or equipment for the Revolving Fund. All capital expenditures of the Revolving Fund are processed through this GLAC. After all costs are accumulated, the total acquisition cost is credited to this GLAC and debited to the asset GLAC (i.e., 301.10 or 301.20). This account is supported by the same VW workcodes as the asset GLACs.

b. Acquisition Work Orders. ENG Form 3013 (Work Order/Completion Report), or other authorizing document, will be prepared prior to initiation of construction or procurement for each separate acquisition of land, structure, and equipment.

When an authorizing ENG Form 3013 is received in the Finance and Accounting Branch (F&A), a cost account will be established under the appropriate subdivision of cost accounts VW70 through VW77. Acquisitions can be accounted for on an individual item basis or in bulk by asset category and then transferred to an item workcode. The funded acquisition of all land, plant, properties, and equipment, including additions and betterments thereto will be recorded initially in the Plant Acquisition in Progress GLAC. A copy of each completed ENG Form 3013 or other supporting document for completed acquisitions will be finalized by authorized signature and forwarded to the F&A Branch. The F&A Branch will enter on the form the total cost of the related acquisition and the applicable asset GLAC (301.10 or 301.20). A copy of each completed ENG Form 3013 or other supporting documentation for completed acquisitions will be sent to the Property Book Officer (PBO) in the Logistics Management Division.

* c. Acquisition Cost. All assets acquired through the PRIP must be recorded at full cost net of purchase discounts taken. Full cost will include: payments to vendors and/or contractors; shipping and/or delivery charges; handling and storage costs; labor and other direct or indirect production costs (for assets produced, designed or constructed by government forces); engineering, architectural, and other like outside services for design, plans, specifications, and surveys; acquisition and preparation costs of land, buildings and other facilities; inspection, supervision, and administration of construction contracts and construction work; as-built drawings, operating manuals, and like items; labor, materials, supplies, and other direct charges; legal and recording fees and damage claims (real property only); improvements, additions, and betterments; and other costs of obtaining assets in their current form and place as appropriate. Full cost does not include the cost of repairing or overhauling a piece of equipment damaged during shipment (FOB shipping point). Such costs will be charged to current operating expense. *

d. Discounts Taken or Lost and Interest Penalty Payments. Assets shall be recorded net of purchase discounts taken. Purchase discounts lost and interest penalty payments should not be included as acquisition costs, but should be treated as current operating expenses. These costs should be charged to the

ER 37-2-10
Change 88
31 Jan 00

applicable plant operating account or the account of the organizational element primarily using the item.

e. Additions and Betterments. For capitalization purposes, additions and betterments are defined as improvements, rehabilitations, renovations, conversions, replacements or upgrades which either add something to a capital asset that was not there before or increase the useful life, capacity, operating efficiency or usefulness of a capital asset. Typical examples of additions include, but are not limited to, construction of a new wing or extension to an existing building, installation of a heating system in an unheated warehouse, installation of an air conditioner in a vehicle that never had one before, incorporation of an additional component into an existing information technology (IT) or other system and expansion of existing software to include a new functionality. Typical examples of betterments include, but are not limited to, replacement of a properly functioning heating/cooling system for the sole purpose of improving energy conservation, replacement or upgrade of a properly functioning component of an IT or other system for the sole purpose of improving the efficiency and/or effectiveness of the system, replacement of the entire hull of a piece of floating plant to extend it's useful life, installation of additional memory into a computer to increase it's capacity, conversation/adaptation of software to the windows environment, and renovation of a building to make it handicap accessible.

(1) With the exception of additions and betterments to capitalized conventional, modular and systems office furniture, additions and betterments as defined above will be capitalized regardless of dollar value or useful life. Additions and betterments to capitalized conventional, modular or systems office furniture will only be capitalized if the original acquisition cost of individual work stations exceeded the monetary capitalization threshold. All other additions and betterments to capitalized office furniture will be charged to expense.

(2) The full cost of additions and betterments will be subject to current PRIP authority. The book cost and related depreciation of the items/parts being replaced as part of a betterment will be processed as a disposition (see para 15-19) through GLAC 308, Retirement Work in Progress to GLAC 338, Non-operating Income or Loss. Acquisition ENG Form 3013 will identify the items/parts being replaced.

(3) Computations of depreciation, plant increment, and insurance involving additions and betterments are contained in paragraphs 15-10, 15-11, and 15-12, respectively.

f. Trade-In Allowances. When acquisitions of assets involve trade-ins, the acquisition cost will be the lesser of (1) the cash paid and/or liability incurred plus the net book value of the traded in item, or (2) the amount the purchase would have been without the trade-in. If the lesser amount is computed using (1) above the book value of the item being traded-in will be reclassified to the new asset account as part of the original cost. Only the actual cash paid, however will be subject to the current PRIP authority. If the lesser amount is computed using (2) above, the item being traded-in will be accounted for as a disposal (see para 15-19) and processed through GLAC 308, Retirement Work in Progress to GLAC 338, Nonoperating Income or Loss.

g. Accrued Expenditures. The concepts of performance and earnings are critical to the definition of accrued expenditures concerning PRIP items. When a contractor provides goods to the Government which he holds available to sell to others, the accrual occurs when goods are delivered to either the Government or carrier acting on behalf of the Government. Constructive receipt of goods or other tangible property, rather than physical receipt or the passing of legal title, is the measure of accrual in certain cases. When a contractor manufactures or fabricates goods or equipment to the Government's specifications, constructive receipt occurs, and the accrual takes place as work is performed. Formal acceptance of the work by the Government is not a test.

h. Office Furniture. Conventional, modular and system office furniture will only be capitalized if: (1) the cost to equip each individual work station exceeds the monetary capitalization threshold; (2) all or the majority of existing office furniture is being replaced in conjunction with a move to a new building or leased space; or (3) all or the majority of existing conventional office furniture is being replaced with system or modular furniture to reduce space requirements. Capitalized office furniture will be carried on the property book as a system or set and not as individual items.

i. Communication Lines and Telephone Systems. Communication lines, including lines used to link end users to computer systems and/or Local Area Networks, are considered to be an integral part of the building/facility in which they are installed since they cannot be easily removed and/or reinstalled in another building/facility. The same is true of telephone systems.

ER 37-2-10
Change 88
31 Jan 00

Accordingly, communication lines and telephone systems will be capitalized in accordance with the capitalization guidance for additions and betterments if installed in a Corps owned building/facility or leasehold improvements if installed in a building/facility which the Corps occupies but does not own. Since individual telephone instruments can be and frequently are easily removed from the system, moved to another building and/or facility and connected to another system, inclusion of the cost of these instruments in the monetary value of the leasehold improvement or addition and betterment is inappropriate. Therefore, individual telephone instruments will not be included in the total cost of the telephone system when making capitalization determinations or capitalized as a part of the system.

j. Information Technology (IT) and Other Systems. For capitalization purposes a system is defined as a series of interdependent, interconnected components, including software, designed primarily to work together as a harmonious whole to satisfy a specific requirement or series of related requirements. Systems with an estimated useful life of two or more years will be capitalized in all instances in which the total cost of the system, when fully assembled, meets or exceeds the current monetary capitalization threshold.

(1) The purchase price of individual system components, shipping and/or delivery charges, site preparation costs, system installation/assembly costs and the cost of any training required for effective operation of the system are a part of the total cost of a system and must be included in the total system cost used in making capitalization determinations.

(2) While general purpose microcomputers located at individual user workstations are frequently connected to information technology (computer systems, local area networks, etc.) systems, they are designed primarily to function as stand alone units. Therefore, they will not be included in the monetary value of information technology systems for capitalization purposes even if they are purchased at the same time and/or from the same contract as the system(s). They should only be capitalized if they meet the basic capitalization criteria as stand alone units.

(3) Software, system related memory boards/computer chips and desk side devices such as electronic signature card readers loaded on or connected to microcomputers to allow the user to access and/or effectively use information technology systems are considered to be a part of the microcomputer. Accordingly, they will not be included in the monetary value of information technology systems for capitalization purposes even if they are purchased at the same time and/or from the same contract as the system(s). They will only be capitalized if the microcomputer is or will be capitalized.

(4) Commercial, off-the-shelf software packages and/or site licenses installed in information technology systems for use by end users are stand alone items and should only be capitalized in those instances in which the individual software package/site license meets the basic capitalization criteria.

k. Leasehold Improvements. Leasehold improvements are defined as improvements, additions and betterments made to buildings, facilities, or portions thereof occupied by a USACE activity but not owned by the Revolving Fund. Leasehold improvements will be capitalized if they meet the basic capitalization criteria for civil works property (useful life of two or more years and a cost \$25,000 or more). The full cost of leasehold improvements will be subject to current PRIP authority. All PRIP funded leasehold improvements will be amortized over five years or life of the lease whichever is less. Insurance charges will be applied to leasehold improvements during the amortization period. Leasehold improvements are exempt from plant increment

ER 37-2-10
Change 88
31 Jan 00

charges. All leasehold improvements will be retired and removed from the accounting records at the end of the amortization period.

1. Pro-Forma Entries for Plant Acquisition.

Plant Acquisition

DR: 307.00 Plant Acquisition in Progress (VW70-VW77)
CR: 341.00 Accounts Payable

Corps of Engineers Management Information System (COEMIS)
Transaction Code MD.

Record Trade-In Allowance as an Offset to Acquisition

Lesser Amount is Cash Paid and/or Liability Plus Book Value of Item Traded-In. To reclassify book value of item traded in to new asset account.

DR: 301.20 Structures and Equipment (VW71-VW77)
CR: 301.20 Structures and Equipment (VW71-VW77)

COEMIS Transaction Code SK.

Lesser Amount is Amount Purchase Would Have Been Without Trade-In. To record disposal of item traded in.

DR: 308.00 Plant Retirement Work in Progress (VW71-VW77)
CR: 301.2 Structures and Equipment (VW71-VW77)
COEMIS Transaction Code SC (ENG Form 4479)

15-7. Transfer From Acquisition to Plant-in-Service.
Acquisitions will be transferred to plant-in-service no later than the month succeeding receipt of the receiving report. Transfer will not be delayed pending completion of the ENG Form 3013. Transfer may be delayed upon receipt of written documentary request from the applicable operating manager justifying the delay.

Transfer of Asset to Plant in Service

DR: 301.10 Land (VW70) or
301.20 Structures and Equipment (VW71-VW77)
CR: 307.00 Plant Acquisition in Progress (VW70-VW77)
COEMIS Transaction Code SB (ENG Form 4479)

15-8. Acquisition by Lease.

a. Types of Leases. A lease agreement is an agreement to convey the use of an asset or part of an asset from one entity to another for a specified period of time in return for rent or other compensation. There are basically two types of leases 1) capital leases and 2) operating leases. If any of the following criteria is met, the lease agreement is presumed to be equivalent to an installment purchase and therefore will be handled as a capital lease:

(1) the lease transfers ownership of the property to the lessee by the end of the lease term.

(2) the lease contains an option to purchase the leased property at a bargain price.

(3) the noncancelable lease term is equal to or greater than 75 percent of the estimated useful life of the leased property.

(4) the present value of rental and other minimum lease payments, excluding that portion of the payments that represent executory costs, such as insurance, maintenance, and taxes to be paid by the lessor, equals or exceeds 90 percent of the fair value of the leased property. The lessee will compute the present value of minimum lease payments using the Treasury

ER 37-2-10
Change 66
1 Oct 91

Average Interest Rate for Marketable Interest-Bearing Debt unless (a) it is practicable for the lessee to learn the interest rate implicit in the lease computed by the lessor and (b) the implicit rate computed by the lessor is less than the Treasury Average Interest Rate for Marketable Interest-Bearing Debt.

(5) The last two criteria do not apply if the beginning of the lease term falls within the last 25% of the total estimated useful life of the leased property. An agency*s "rental" of space from GSA does not meet these criteria.

b. Operating Leases. Lease payments are charged as an operating expense to the activity for which the property is leased.

c. Capital Leases. A capital lease transfers substantially all the benefits and risks inherent in the ownership of property. If a lease purchase contract contains a provision that after a certain number of payments the title will pass to the Government without further costs, the fair value (the price for which the property could be sold in arms-length transactions between unrelated parties) of the lease will be recorded in GLAC 309, Lease Purchase Agreements. The contra entry will be to GLAC 346, Long Term Lease Liabilities. The difference between the total lease payment and the fair market value will be treated as interest. Payments will be divided as to principal and interest. The annual principal amount will be charged through plant acquisition to plant-in-service and is thus subject to the annual PRIP authority. The interest portion will be recorded as a current operating expense. Amortization will be recorded against the principal amount. Plant increment and insurance charges will not be computed on capital leases.

d. Capital Lease Approval Requirements. Authority to enter into a capital lease which qualifies for Revolving Fund financing must be obtained, in advance, as a part of the Revolving Fund Plant Replacement and Improvement program (PRIP) in accordance with existing policies and procedures (ER 1125-2-301). All requests for authority to enter into capital leases must include (1) a complete economic analysis which clearly indicates that acquisition by capital lease is more cost effective than direct purchase, (2) a schedule showing annual PRIP requirements over the life of the lease and (3) complete justification for acquisition of the asset. The Revolving Fund will not be used to finance a capital lease without specific PRIP authority.

e. Amortization of Capital Leases. Amortization will be recorded annually using the annual payment amounts. The amount to be amortized will be the yearly principal payment amount

divided by the number of years remaining on the lease. Example:
Assume a 25 year lease period. The annual amortization amount
will be computed as follows:

Year 1: Year 1 Payment Divided by 25 = Amortization Amount
Year 2: [(Year 1 Payment less amortization on year 1
payment to date) Divided by 24] Plus Year 2 Payment Divided by 24
= Amortization Amount
Year 3: [(Year 1 Payment less amortization on year 1 payment
to date) Divided by 23] Plus [(Year 2 less amortization on year 2
payment to date) Divided by 23] Plus Year 3 Payment Divided by 23
= Amortization Amount

Example: Using the following assumptions: Year 1 principal
amount of \$73,000; Year 2 principal amount of \$86,000; and Year 3
principal of \$101,000, the amortization for the first three years
would be computed as follows:

Year 1: $\$73,000 \div 25 = \$2,920.00$
Year 2: $[(\$73,000 - \$2,920.00) \div 24] + (\$86,000 \div 24) =$
 $\$6,503.33$
Year 3: $[(\$73,000 - \$5,840.00) \div 23] + [(\$86,000 -$
 $\$3,583.33) \div 23] + (\$101,000 \div 23) = \$10,894.63$

f. Pro-Forma Entries.

Operating Lease Payments.

DR: 415.00 Operating Expense
CR: 341.00 Accounts Payable
COEMIS Transaction Code MD (ENG Form 4480)

Capital Leases

Initial Lease Purchase Agreement:

DR: 309.00 Lease Purchase Agreement*
CR: 346.00 Long Term Lease Liability*

Record Principal Portion of Annual Payment:

DR: 307.00 Plant Acquisition Work in Progress
CR: 341.00 Accounts Payable
COEMIS Transaction Code MD (ENG Form 4480)

* GLACs 309.00 and 346.00 are not currently programmed in COEMIS.
"V" series transaction codes will have to be used with GLACs
334.00 and 336.00, respectively, to record these transactions.

ER 37-2-10
Change 88
31 Jan 00

Decrease Long Term Liability by Amount of Principal Payment:

DR: 346.00 Long Term Lease Liability
CR: 309.00 Lease Purchase Agreement

Record Interest Portion of Annual Payment:

DR: 415.00 Operating Expense
CR: 341.00 Accounts Payable
COEMIS Transaction Code MD (ENG Form 4480)

Transfer Annual Payment to Plant in Service:

DR: 301.20 Structure and Equipment
CR: 307.00 Plant Acquisition in Progress
COEMIS Transaction Code SB (ENG Form 4479)

Record Amortization of Lease:

DR: 415.00 Operating Expense
CR: 302.00 Provision for Depreciation
Structures and Equipment
COEMIS Transaction Code TR (ENG Form 4479)

Record Buy Out of Lease Agreement:

DR: 307.00 Plant Acquisition Work in Progress
CR: 341.00 Accounts Payable
COEMIS Transaction Code MD (ENG Form 4480)

Write Off Long Term Lease Liability at Buy Out:

DR: 346.00 Long Term Lease Liability
CR: 309.00 Lease Purchase Agreement

GLACs 309.00 and 346.00 are not currently programmed in COEMIS. "V" series transaction codes will have to be used with GLACs 334.00 and 336.00, respectively, to record these transactions.

15-9. Acquisition by Transfer.

a. GLAC 333.000 Transfers of Cost or Property. The accounts included under this caption maintain the book value of assets and costs transferred without reimbursement within the Revolving Fund between USACE activities and from the Revolving Fund to other Governmental agencies and appropriations. Also included in this account is the estimated fair market value of assets found on

works. Accounting procedures for transfer-out of excess Revolving Fund assets are contained in paragraph 15-18.

b. GLAC 333.10 Transfers - Other Government Agencies and Appropriations (OGA). This account is debited or credited, as appropriate, with the book cost and accumulated depreciation of property or cost transferred without reimbursement to or from other Government agencies and appropriations. The cost accounts under this caption reflect the value of assets or services received by/transferred from the Revolving Fund to/from other appropriations or agencies without transfer of funds and property found on works. Transfers of Revolving Fund assets to other appropriations or agencies without reimbursement must be specifically authorized by the Director of Resource Management at HQUSACE (CERM-ZA). This GLAC is supported by the following COEMIS ADP workcodes:

VW870100 - Transfers - OGA - Lands. In the case of land received without reimbursement, the book cost will represent the original cost when first acquired by the Government, if known. If the original cost to the Government is not known, then the asset will be recorded at the current fair market value as determined by the Real Estate Division.

VW870200 - Transfers - OGA - Structures and Equipment. This account reflects the book value and related costs of structures, operating equipment, and other depreciable assets transferred. Accounting documents (ENG Form 4480) posted to this account will show separately the book cost and accrued depreciation applicable to transfers in and to transfers out.

VW870900 - Transfers - OGA - Stock. This account reflects book costs of warehouse stock transferred.

VW871000 - Transfers - OGA - Other. This account reflects book value of assets and services transferred which are not includable in the foregoing accounts and charges for depreciation, insurance, and plant increment applicable to structures utilized by other Government agencies free of charge. Accounting documents (ENG Forms 4480 and 4479) recorded in this account, in addition to showing the source of the asset or service, will also reference the contra accounts to which the transfer value of the asset or service was debited or credited.

c. GLAC 333.20 Transfers - Intra-Revolving Fund. This account is debited or credited, as appropriate, with the book

ER 37-2-10
Change 88
31 Jan 00

value of Revolving Fund assets or costs transferred without reimbursement within the Revolving Fund from one USACE activity to another. An annual report, Schedule D - Inter-District Transfers (see EP 37-2-1, para 6-4b(2)(d)), will be submitted to the USACE Finance Center detailing the activity of this account. The cost accounts under this caption reflect the book value of assets, plant operating balances (see paragraph 15-18a(1)), value of accrued annual leave, and other items which are transferred between the Revolving Funds of the USACE Commands without reimbursement. This GLAC is supported by the following ADP workcodes:

VW880100 - Transfers - RF - Land. This account reflects the book value and related costs of land transferred.

VW880200 - Transfers - RF - Structures and Equipment. Accounting documents (ENG Forms 4480 and 4479) posted to this account will show separately the book cost and accrued depreciation applicable to transfers in and transfers out.

VW880900 - Transfers - RF - Stock. This account reflects book costs of warehouse stock transferred.

VW881000 - Transfers - RF - Other. Accounting documents (ENG Forms 4480 and 4479) posted to this account, in addition to showing the other USACE Command involved in the transfers of the asset, will also reference the accounts in which the asset has been added or from which it has been dropped.

d. Book Cost of Transfers. In the case of property other than land received by transfer from other Government agencies or other sources with or without transfer of funds, the book cost will represent original (actual, if known, otherwise estimated) cost to the transferor, less estimated cost of overhaul and repairs. The original cost and depreciation to date of acquisition will be entered in separate accounting elements of the appropriate VW87 series and in the appropriate accounting elements of VW71-VW77 series. If estimates are used they will establish a book value approximating the actual value as of date of acquisition by the Revolving Fund.

e. Timing of Transfers Between USACE Commands. Where property is transferred between districts under continuing Revolving Fund ownership, the book cost (adjusted by additions and betterments) and accrued depreciation applicable will be established on the books of the receiving USACE Command in amounts identical to those at which removal was effected by the

losing USACE Command. Ideally the transaction will be processed in both the losing and gaining activity within the same accounting period (i.e., month) but must be processed within the same quarter. In order to assure entry in the accounts of both USACE Commands in the same amounts and during the same quarter, the following procedures will be observed in the case of all such transfers:

(1) A copy of the ENG Form 4480, disclosing complete information as to the entry made in the accounts of the losing USACE Command, will be transmitted to the receiving USACE Command.

(2) In establishing the month during which the entry will be made in the accounts of the losing USACE Command, sufficient time will be allowed to enable receipt and entry by the receiving USACE Command. Normally, transfers effected after the 20th of the month will be recorded by both USACE Commands during the following month.

(3) Confirmation copies of the ENG Form 4480 prepared by the gaining USACE Command will be forwarded to the losing USACE Command within 10 working days as evidence that the transfer has been completed. The losing USACE Command will take appropriate follow-up action if the confirmation copy is not received within 30 days following transfer.

(4) Transfer expenses will not be capitalized. They will be treated as a current operating expense of the receiving USACE Command.

f. Pro-Forma Entries for Transfer In of Assets. (Transfers out would be opposite entries, see paragraph 15-18c.)

Transfer In Without Reimbursement From OGA

Transfer of Land VW70

DR: 301.10 Land

CR: 333.10 Transfers - Other Government Agencies and
Appropriations

COEMIS Transaction Code SE (ENG Form 4480)

Transfer of Structures and Equipment VW71-VW77

ER 37-2-10
Change 88
31 Jan 00

DR: 301.20 Structures and Equipment
CR: 333.10 Transfers - Other Government Agencies and
Appropriations
COEMIS Transaction Code SE (ENG Form 4480)

Transfer of Depreciation VW71-VW77

DR: 333.10 Transfers - Other Government Agencies and
Appropriations
CR: 302.00 Provision for Depreciation - Structures
and Equipment
COEMIS Transaction Code SE (ENG Form 4480)

Assets Found on Works

DR: 301.10 Land
301.20 Structures and Equipment
CR: 333.1 Transfers - Other Government Agencies and
Appropriations
COEMIS Transaction SJ (ENG Form 4480)

Transfer In Without Reimbursement Intra-Revolving Fund

Transfer of Land VW70

DR: 301.10 Land
CR: 333.20 Transfers - Intra-Revolving Fund
COEMIS Transaction Code SG (ENG Form 4480)

Transfer of Structures and Equipment VW71-VW77

DR: 301.2 Structures and Equipment
CR: 333.20 Transfers - Intra-Revolving Fund
COEMIS Transaction Code SG (ENG Form 4480)

Transfer of Depreciation VW71-VW77

DR: 333.20 Transfers - Intra-Revolving Fund
CR: 302.00 Provision for Depreciation - Structures
and Equipment
COEMIS Transaction Code SG (ENG Form 4480)

15-10. Depreciation and Amortization.

a. 302.00 Provision for Depreciation/Amortization -
Structures and Equipment. This GLAC includes the accumulated
depreciation and amortization on Revolving Fund capital assets.

The GLAC is credited with the current accruals of depreciation and amortization expense and is debited with the cost of depreciation and amortization previously accrued on assets in process of disposal or transferred out of the Revolving Fund. Depreciation and amortization will begin to accrue from the first day of the month nearest the date of acquisition or completion of construction of structures or operating equipment. The cost of depreciation and amortization is charged to operating expense accounts. For tools, office furniture, and equipment see subparagraph g below and for depreciation on additions and betterments see paragraph h below. This account is supported by the same ADP workcodes/work items as the asset GLAC (301.20).

b. Applicability. Depreciation or amortization will be charged on all capital assets owned by the Revolving Fund except for land and capital assets in process of acquisition or disposal, or in mothball status. When Revolving Fund owned structures are utilized by other Government agencies free of charge, depreciation applicable to such structures, or portion of structures so utilized, will continue to be accrued. Such depreciation will be charged to the VW/RF46 account/work item with contra credit to applicable asset account. The amount of depreciation will then be credited to the VW/RF46 account/work item and charged to GLAC 333.1, Transfers - Other Government Agencies, VW/RF871, Transfers - OGA - Other. Reference DOD Directive Number 4165.6, Real Property Acquisition, Management, and Disposal.

c. Depreciation/Amortization Computation. Depreciation and amortization provide for recovery of the investment in capital assets less salvage value, if applicable, through periodic charges to expense over the useful life (see paragraph 15-4) of the equipment. The monthly rate to be charged to expense accounts is obtained by dividing the first cost; plus additions and betterments; minus accumulated depreciation or amortization to date; minus salvage value, if applicable, by the number of months which are estimated to be the remaining useful life of the assets.

(1) Depreciation and amortization schedules will be prepared consistent with the example presented below which illustrates a depreciation computation for group assets.

(2) Individual depreciation and amortization schedules will be updated whenever a change in the number of items in a group

ER 37-2-10
 Change 88
 31 Jan 00

occurs, major additions and betterments are added, or changes in the useful life and/or salvage value, if applicable, are considered warranted.

(3) All depreciation and amortization schedules will be reviewed annually and new schedules will be prepared not less frequently than once every two years even though no changes occur within the two year period.

(4) Automated COEMIS/CEFMS routines must be used by all USACE command to compute actual depreciation and amortization charges.

Depreciation Schedule						
Item(s) Acquisition or Construc- tion Dates	Total Cost to Date (incl. Additions & Betterments)	Accrued Depre- ciation to Date	Remaining Cost to Recovered	Remaining Useful Life (Years)	Esti- mated Salvage Value	Annual Depre- ciation Charge
A 7/53 (6/50)	21,000	10,000	11,000	5.00	1,000	2,000
B 8/54	14,000	8,000	6,000	6.08	0	987
C 10/52	19,000	10,000	9,000	4.25	1,880	1,882
D 12/50	22,000	18,000	4,000	2.42	0	1,653

d. Remaining Useful Life. In determining the remaining useful life of capital assets, consideration will be given to expected operating conditions, character of work, condition of the asset as of the date of determination, and such other factors as will affect it's durability based upon the judgment and experience of a technical expert familiar with that type of asset. Appendix 15-B contains a table which indicates the minimum and maximum total useful life which will be used in computing the annual amounts of charges for depreciation or amortization as appropriate.

e. Salvage Value. Historically, the greater majority of Revolving Fund owned capital assets subject to depreciation has been found to have little or no salvage value. Accordingly, as a general rule, a salvage value will not be assigned to Revolving Fund owned capital assets. However, to depreciate permanent structures without acknowledging that some residual value exists could misrepresent the value of these structures and overstate depreciation expense. Therefore, a salvage value must be assigned to all Revolving Fund owned permanent structures.

(1) The salvage value of permanent structures can vary significantly depending on type of construction, use, age, condition, and location. Therefore, the determination of the

appropriate salvage value of individual structures will be made by the local commander or his designated representative based on careful consideration of all pertinent factors and the recommendations of real estate and/or other technical experts as appropriate.

(2) Salvage values will be reviewed and adjusted as necessary in conjunction with the periodic reviews of depreciation schedules discussed in paragraph 15-10c above.

(3) Appropriate documentation supporting the determination and/or any adjustments of salvage values will be maintained in a central location until the building is taken out of service.

f. Computers and Peripheral Equipment. Computers and peripheral equipment have been standardized as follows.

(1) Computers and peripheral equipment rapidly become obsolete due to technological advances. Therefore, mainframe computers and peripheral equipment have been assigned a useful life NTE five (5) years. Microcomputers and their peripheral equipment have been assigned a useful life of NTE three (3) years.

(2) To maintain uniformity, computers and peripherals which are interconnected, interdependent and/or cannot be used independently as stand alone units will be depreciated as a single system or set.

(3) Peripheral equipment which can be used independently as stand alone units, such as high speed printers, etc., will be depreciated as individual or group units.

(4) Repairs and replacements of items included in a system/set will be accounted for in accordance with paragraph 15-13b(1).

g. Software/Software Site Licenses. Software and software site licenses acquired through the PRIP will be amortized in accordance with the following schedule

<u>Type of Software</u>	<u>Value</u>	<u>Amortization Period</u>
Commercial Off the Shelf	\$ 25K - \$100K	2 years
Software/Site Licenses	\$100K - \$500K	3 years

ER 37-2-10
Change 88
31 Jan 00

	\$500K - \$1M	4 years
	Over \$1M	5 years
Custom Software	\$ 25K - \$100K	2 years
	\$100K - \$500K	3 years
	\$500K - \$1M	4 years
	\$ 1M - \$2M	5 years
	Over \$2M	7 years

h. Tools, Office Furniture, and Equipment. The assets in this category include non-expendable property as described in paragraph 15-5b(3). The annual amount of depreciation to be accrued for each account in this category will be determined by the USACE commander or designated representative at the beginning of each fiscal year. The book value to be shown in those accounts at the beginning of the subsequent fiscal year will approximately equal the estimated remaining value and useful life of those assets. Depreciation expense for this category of assets will be charged to the organizational element utilizing the assets.

i. Additions and Betterments (A&B). The total cost of an A&B will increase the remaining book value to be depreciated over the revised useful life based upon the scope of the improvements. The 35 percent criteria used for plant increment (see paragraph 15-11d) has no bearing on the depreciation computation since it only affects the acquisition date for computing plant increment.

j. Surplus Property. If an asset is determined to be surplus to the needs of the USACE Command, the asset will be immediately transferred to retirement and accumulation of depreciation or amortization, insurance and plant increment charges will cease. In those cases in which final disposition results in a transfer to another Government agency or appropriation, the current book value of the item(s) will be transferred to GLAC 331.00 Transfers Other Government Agencies and Appropriations. In those cases in which final disposition results in a sale, the difference between the current book value and the sale price will be transferred to GLAC 338.00 Non-operating Income or Loss. If the proceeds from the sale are less than the current book value of the item(s), the current book value will be reduced by the amount of the sale before being transferred to GLAC 338.00 as a non-operating loss. If a net profit is realized on the sale, the amount by which the proceeds exceed the current book value will be transferred to GLAC 338.00 as non-operating income.

k. Frequency of Accruals. Accruals for depreciation and

amortization will be entered in the accounts monthly. The automated depreciation/amortization routines available in COEMIS and CEFMS will be used to compute and record the accruals. For those assets where rates have not been established on the COEMIS data base, ENG Form 4479 will be used to record accruals. For assets disposed of, the accrual will be entered in the accounts through the end of the month in which transfer to retirement or other accounts is accomplished.

1. Pro-Forma Entries for Depreciation/Amortization Accruals.

Accrual of Depreciation/Amortization of Revolving Fund Plant in Service

DR: 415.00 Operating Expenses
CR: 302.00 Provision for Depreciation/Amortization - Structures and Equipment

Depreciation Applicable to Revolving Fund Structures Occupied By Other Government Agencies Free of Charge

DR: 333.10 Transfers - Other Government Agencies and Appropriations
CR: 415.00 Operating Expenses
COEMIS Transaction Code SF (ENG Form 4479)

15-11. Plant Replacement Increment.

a. GLAC 330.00 Provision for Plant Replacement. This GLAC is credited by amounts charged to operating expense accounts to cover estimated additional costs, due to inflation, of plant replacements. The GLAC is debited with the quarterly amount transferred to HQUSACE. Amounts to be charged are computed by reference to Appendices C, D, E, and F which are updated at the beginning of each fiscal year by HQUSACE.

b. Function of Provision for Plant Replacement Increment. Provision is made for charging an increment factor to projects/activities using Revolving Fund plant and equipment to cover the increased cost of replacements over the original cost of the items. The cost of inflation is thereby charged to those projects/activities which benefit from the plant and equipment.

c. Applicability. Charges for plant increment will be applied to all Revolving Fund owned capital assets except the following:

- Capital assets in process of acquisition.
- Capital assets in process of disposal.
- Capital assets in mothball status.
- Assets being acquired by capital lease.
- Leasehold improvements.
- Land
- Capitalized conventional, modular and system office furniture for which the cost to equip individual work stations falls below the monetary capitalization threshold.
- Capital assets for which there is documented evidence that item will not be replaced through the Plant replacement and Improvement Program (HQUSACE Approval Required).
- Capital assets for which there is documented evidence that a replacement will cost less than the asset, including additions and betterments, currently in use (HQUSACE Approval Required).

In those instances in HQUSACE approval is required to exempt an item from plant increment, Commanders should forward their request, including the required documented evidence, to the HQUSACE Director of Resource Management (CERM-ZA).

d. Additions and Betterments (A&B). If the total cost of an A&B is equal to or greater than 35 percent of the estimated replacement cost of an item, then the remaining book value and the cost of the A&B will be added together to determine a new acquisition cost. A new useful life (see paragraph 15-4) will be assigned based upon the condition of the original item and the scope of improvements resulting from the A&B. Plant increment 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 computation with the original date of acquisition and the original useful life.

e. Computation of Increment Charges for Plant Replacement.

(1) Hydraulic Dredges and Aircraft. A provision for plant replacement will be charged annually to projects through the plant operating accounts based upon actual usage. The amount of the charge is dependent upon three factors: 1) the estimated annual replacement charge established by HQUSACE; 2) the estimated work units (hours, days, cubic yards, etc.) established by the plant managers in the USACE Command; and 3) the actual work units performed. If during the work year the estimate for work units is materially changed (+/- 10% or greater), a recomputation of charges will be made and applied at the new rate when the USACE Command becomes aware of the change. The computation of the increment charge should be made in accordance with the following example:

Estimated Annual Replacement Increment Charge	\$100,000
/ Estimated Work Units	<u>125</u>
= Charge Per Work Unit	\$ 800
X Actual Work Units	<u>130</u>
= Actual Replacement Increment Charge	\$104,000

It should be noted that the actual replacement increment charge computed may or may not equal the estimated annual replacement increment charge. However, it is the actual replacement increment charge that is to be charged to the plant operating account and transferred to HQUSACE.

* (2) Group Plant and Equipment and Structures. Amounts to be charged annually for these assets are computed by reference to Appendices C, D, E, and F, which are updated at the beginning of each fiscal year by HQUSACE. Using the date of acquisition or construction for non-group plant and structures, or average date *

ER 37-2-10
Change 87
1 Nov 96

of acquisition for group plant and tools, office furniture, and equipment, the applicable chart will provide the factor which when multiplied by the book cost (original plus additions and betterments) will produce the estimated replacement cost. The difference between the estimated replacement cost and the book cost divided by the total estimated useful life (see paragraph 15-4) will provide the annual increment to be charged to expense accounts applicable to the assets. The annual amount will be converted to a monthly amount and charged to expense accounts applicable to the assets. See the following example:

Book Cost	\$10,000
X HQUSACE Factor	<u>2.85</u>
= Replacement Cost	\$28,500
Replacement Cost	\$28,500
- Book Cost	<u>\$10,000</u>
= Increment	\$18,500
Increment	\$18,500
/ Estimated Economic Life	<u>25 years</u>
= Annual Replacement Charge	\$ 740
Annual Replacement Charge	\$ 740
/ Months in Year	<u>12</u>
= Monthly Charge	\$ 61.67

(3) Non-Group Plant (see Appendix 15-A) Other Than Hydraulic Dredges and Aircraft. For nongroup plant, other than hydraulic dredges and aircraft, the annual increment will be computed as for group plant and then converted to a work unit amount as indicated for hydraulic dredges and aircraft and charged on the basis of units actually worked.

f. Limitations on Total Useful Life for Computation of Charges. Appendix 15-B contains a table, arrayed in the same charts as the annual EC, which indicates the minimum and maximum total useful life which will be used in computing the annual amounts of charges for plant increment.

g. Transfer of Earnings to HQUSACE. At the end of each quarter, amounts charged to expense during the quarter will be transferred to HQUSACE. The transfer of plant increment by the USAGE Command will be accomplished by preparing ENG Form 4480. The entry will be made in the month following the end of each quarter and will be for the amount reflected as a balance in GLAC 330 as of the end of the quarter. This amount shall be verified by taking the amount in Column 4 of the RCS-CERM-F-1 at the end of the quarter and subtracting the CFY transfers to date. Upon receipt of the RCS-CERM-F-1 reports each quarter, HQUSACE will prepare a contra entry of the amount transferred by each USACE Command based on the data recorded in the USACE Command*s GLAC 330. A Schedule E (see EP 37-2-1, para 6-4b(2)(e)) will be required to accompany the year-end RCS-CERM-F-1. Schedule E will reflect the prior years cumulative charges, current year activity, and total to date charges for plant replacement.

h. Revision of Charges. Revisions to amounts of annual charges for plant replacement will be accomplished as follows:

- (1) Hydraulic Dredges and Aircraft - Annual 37-2 Engineer Circular.
- (2) Structures - When structures are acquired, retired, or major modifications occur.
- (3) Group and Nongroup Plant (except hydraulic dredges and aircraft) - When items are acquired, retired, or when ENG Forms 22 (Plant Rate Computations) (nongroup) or 2438 (Plant Record Card - Group Items) (group) are revised as provided for by ER 1125-2-306.
- (4) Tools, Office Furniture, and Equipment - Adequacy will be reviewed by USACE commanders at beginning of each fiscal year and revised if necessary based upon changes occurring in each subaccount.

ER 37-2-10
Change 87
1 Nov 96

i. Pro-Forma Entries for Plant Replacement Increment.

Accrual of Provision for Plant Replacement

DR: 415.00 Operating Expenses

CR: 330.00 Provision for Plant Replacement

NOTE: Automatically posted using COEMIS program 203P565U.

Transfer of Plant Replacement Increment From USACE Command
to HOUSACE

USACE Command Entry

DR: 330.00 provision for Plant Replacement
CR: 310.00 Funds With Treasury
COEMIS Transaction Code TH (ENG Form 4480)

HOUSACE Entry

DR: 310.00 Funds With Treasury
CR: 330.00 provision for Plant Replacement

COEMIS Transaction Code AR (ENG Form 4480)

15-12. Insurance.

a. GLAC 351.00 Insurance. This account includes: 1) the book value and applicable plant operating account balances of Revolving Fund capitalized property and warehouse stock lost due to casualties; 2) the cost of repair of Revolving Fund capitalized property and warehouse stock damaged in casualties; 3) costs of personal injuries and damages to property caused as a result of operation of Revolving Fund capitalized property; 4) recoveries from others for damages and losses to Revolving Fund capitalized property and warehouse stock; and 5) insurance premiums charged to work. The losses and damages chargeable to these accounts will be those resulting from casualties which in commercial practice are normally insured. This GLAC is supported by the following ADP workcodes:

VW950100 - Book Value of Property Lost. This account includes the book value (book cost less applicable depreciation accrued) of property (including items of plant, structures, and warehouse stock) lost by casualty, destroyed by fire, storm, sinking, etc. See paragraph 15-20 for accounting procedures concerning losses and damages to Revolving Fund assets.

VW950200 - (Reserved)

VW9 50400 - Damages to Revolving Fund Properties (Casualties). This account includes the cost of repairing damages resulting from casualties. See paragraph 15-20 for accounting procedures concerning losses and damages to Revolving Fund assets.

ER 37-2-10
Change 66
1 Oct 91

VW9 50500 - Damages Resulting From Revolving Fund Activities (Public Liability). This account includes the cost of rectifying damages to non-Federal property, personal injury, etc., resulting from operation of Revolving Fund capitalized property.

VW9 50600 - Other Damages. This account includes the cost of rectifying damages not otherwise covered resulting from operation of Revolving Fund capitalized property and remaining balances in plant operating accounts for plant lost due to casualty.

VW9 50700 - Recoveries From Others for Damages and Losses. This account includes amounts of bills rendered to insurance companies and others for compensation for insurable losses and damages and credits resulting from losses and damages chargeable to this GLAC. Amounts of such bills, pertaining to items of structures and equipment which must be written off due to loss or damage, will be initially processed through GLAC 308, Plant Retirement Work in Progress, and closed out to this account in accordance with paragraph 15-20. At the end of the fiscal year and prior to submission of reports for the Revolving Fund (RCS-CERM-F-1) the balance of this account will be compared with the total costs charged to accounts VW9 50100 through VW950600 since 30 June 1959. If the balance of this account exceeds those charges, the portion of the excess which represents actual collections will be charged to account VW950700 (GL 351) and credited to VW900900 (GLAC 338), Nonoperating Income or Loss (see para 15-21).

VW950800 - Insurance Charged to Work. This account includes the credits for insurance premiums charged to operating expenses of the Revolving Fund.

VW951200 - Insurance Balance Adjustments. This account includes the debits and credits reflecting adjustments specifically authorized by HQUSACE.

b. Function of Insurance Accounts. The purpose of the insurance accounts is to provide, by charges to work, a reserve to be available for absorption of losses and damages due to casualties resulting from the operation of or resulting to Revolving Fund capitalized property and warehouse stock. This reserve enables the Corps to insure against these 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 account VW25, Warehouse Operating Expense; premiums for shops and yards structures will be charged to the shops and yards operating accounts, VW40; and premiums for a dredge will be charged to the applicable plant operating account, VW211.

c. Applicability. All structures and equipment in service and warehouse stocks with book values are subject to insurance charges. No insurance will be charged on plant inventories; plant in process of acquisition; plant in disposal process; plant being acquired under a capital lease; or plant in mothball status. When Revolving Fund owned structures are utilized by other Government agencies free of charge, insurance applicable to such structures, or portion of structures so utilized, will continue to be accrued. Such insurance will be charged to cost account VW46. The amount so accrued will then be credited to cost account VW46 and charged to GLAC 333.1, Transfers - Other Government Agencies, cost account VW871, Transfers - OGA - Other. Reference DOD Directive Number 4165.6, Real Property Acquisition, Management, and Disposal.

d. Additions and Betterments. The total cost of additions and betterments will increase the book value of the asset for the computation of the annual insurance charge. The 35 percent criteria pertaining to plant increment has no bearing on the insurance premium computation since it only affects the acquisition date for computing plant increment.

e. Computation of Insurance Premiums. The insurance premiums will be determined at least annually as of 1 October by applying the annual rates (listed below) to the remaining book values of structures and equipment in the asset accounts and inventories in the warehouse stock accounts. During the fiscal year no changes will be made to the premium amounts except as warranted by major additions or disposals of insurable assets or as directed by HQUSACE. The annual amount will be converted to a monthly amount and charged to expense accounts applicable to the assets. In no case will any rates be used other than the rate established, or to be established and announced on a Corps-wide basis.

Dredges and Other Floating Plant	0.45%
Structures, Mobile Land Plant, & Airplanes	0.35%
Fixed Land Plant and Tools, Office Furniture, & Equipment	0.25%
Warehouse Stock	0.15%

ER 37-2-10
Change 88
31 Jan 00

Thus a USACE Command with the following book values of insurable assets would accrue the following basic premiums:

Dredges and Other Floating Plant	\$5,000,000 @ 0.45% = \$22,500 \$22,500 - 12 = \$1,875.00
Structures, Mobile Land Plant, Airplanes	\$2,000,000 @ 0.35% = \$7,000 \$7,000 - 12 = \$583.33
Fixed Land Plant and Tools, Office Furniture & Equipment	\$1,000,000 @ 0.25% = \$2,500 \$2,500 - 12 = \$208.33
Warehouse Stock	\$100,000 @ 0.15% = \$150 \$150 - 12 = \$12.50

f. Transfer of Insurance Earnings/Expenses. Each quarter the insurance earnings/expenses will be transferred to HECSA. The transfer for the first, second and third quarters will be accomplished in the month following the end of each quarter and will be for the amount reflected as a balance in General Ledger 351. The transfer for the fourth quarter will be accomplished prior to the end of fiscal year. Distribution of ENG Form 4480/4479 will be original to U.S. Army Corps of Engineers, Humphreys Engineer Center Support Activity, ATTN: CEHEC-RM-FR, Fort Belvoir, VA 22060-5580 and a copy to HQUSACE, CERM-FC, 20 Mass. Ave., N.W., Washington, D.C. 20314-1000. The ENG Form 4480-4479 for the first, second and third quarters will be submitted in time to reach destination by the 15th working day of the month following the end of each quarter. The ENG Form 4480-4479 for the fourth quarter must be forwarded to HECSA in sufficient time to ensure receipt by the 15th working day of the month of September.

g. Documentation for Losses Written Off. Amounts to be charged to the insurance account for loss, damage, or destruction of Revolving Fund property, or other charges to that account, will be substantiated by documents approved by competent authority at the USACE Command level, stating the nature, cause, and monetary extent of loss in property value. See paragraph 15-20.

h. Pro-Forma Entries for Insurance Transactions.

Accrual of Revolving Fund Insurance Premium.

DR: 415.00 Operating Expenses
CR: 351.00 Insurance

ER 37-2-10
Change 88
31 Jan 00

NOTE: Automatically posted using COEMIS program 203P565U.

Transfer of Insurance Credit Balance.

DR: 351.00 Insurance
CR: 310.00 Funds With Treasury
COEMIS Transaction Code TH (ENG Form 4480)

NOTE: CEHEC-RM-FR would make contra entry.

Transfer of Insurance Debit Balance.

DR: 310.00 Funds With Treasury
CR: 351.00 Insurance
COEMIS Transaction Code AR (ENG Form 4480)

NOTE: CEHEC-RM-FR would make contra entry.

Cost of Damages Resultina From Operation or Resulting to
Revolving Fund Capitalized Property or Warehouse Stocks.

DR: 351.00 Insurance
CR: 341.00 Accounts Payable
COEMIS Transaction Code MD (ENG Form 4480)

Recovery From Others for Damages and Losses (VW9507).

DR: 313.00 Accounts Receivable
CR: 351.00 Insurance
COEMIS Transaction Code DG (ENG Form 4480)

Damage Claim.

DR: 351.00 Insurance (VW9504)
CR: 341.00 Accounts Payable
COEMIS Transaction Code MD (ENG Form 4480)

15-13. Plant Operating Accounts.

a. GLAC 415.00 Operating Expenses. The operating expenses and joint cost credits recorded for plant operating accounts are subsidiary records to GLAC 415.00. Income from sales recorded for plant operating accounts are subsidiary records to GLAC 401.XX. The cost accounts under this classification are charged with the operating expenses of floating plant and mobile land plant and are credited with the income from sales of such services to activities outside the Revolving Fund and with application of such expenses to other

ER 37-2-10
Change 66
1 Oct 91

Revolving Fund activities. The cost accounts herein include: operating expenses, such as labor, subsistence, fuel, lubricants, miscellaneous expenses, insurance, attendant plant, depreciation, repairs, replacements, cessation of work, etc.; credits for operating costs charged to other Revolving Fund accounts; and income from sales of services. The plant operating accounts are subdivided into the following ADP workcodes:

(1) Non-Group Operating Accounts (See Appendix 15-A).

VW211 - Plant Operations - Dredges. An account will be maintained for each dredge. Costs incident to operations of dredges will be reconcilable to the cost reported on ENG Forms 27, 3735 and 4267, Report of Operations, for dredges. The subaccounts listed in EP 37-2-1, paragraph 5-15, will be maintained for each VW211 account.

VW212 - Plant Operations - Other Non-Group Items. An account will be maintained for each airplane and each non-group floating plant item.

(2) Group Plant Operating Accounts.

VW213 - Plant Operations - Group Items. An account will be maintained for each group of plant items for which operating expenses are accumulated on a group basis. This series of accounts shall also be established to account for the lease of GSA vehicles or other leases of vehicles.

b. Non-Group Operating Expense Accounts. A separate plant operating account will be maintained for each aircraft; structures having an estimated replacement cost of \$200,000 or more; major floating plant or mobile land plant; and any other plant with an estimated replacement value of \$300,000 or more. All items of plant described herein will be kept in non-group accounts unless a specific exception is granted by CECW-OM-B. Items which are normally accounted for as group will be accounted for in the non-group series when more specific detailed cost data is desired for management purposes. Such operating expenses include repairs; depreciation; cessation of work; labor of operating crews; subsistence expenses; ice; fuel; lubricants; miscellaneous operating supplies and expenses; insurance; plant increment; and service of attendant plant. Miscellaneous operating supplies are those not otherwise specified and which are currently consumed in operations, as distinguished from those items which are properly chargeable to plant repairs. Miscellaneous operating expenses include the cost of laundering, travel expenses, etc., and credits for collections for meals, lodging, etc., on the plant.

(1) Repairs and Replacements. The VW/RF211 series of accounts/work items will be further broken down to account for repairs. Repairs and replacements include all costs in connection with the renewal, substitution, or replacement of parts that have become worn out or inadequate for service, providing that the renewals or replacements have substantially no greater capacity than the parts replaced. When renewals or replacements have a substantially greater capacity than that of the parts renewed or replaced, determination as to whether to charge the costs as current operating expenses or whether to capitalize the costs as additions and betterments will be made in accordance with paragraph 15-6e.

(a) Shop Repairs. Shop repairs are those of a nature requiring the operating equipment to be dry-docked or laid up for an extensive period for the purpose of making major repairs or general overhaul. Shop repairs, whether performed at Government or private shops and docks, will include all charges in connection with the general overhauling, renewal, substitution, or replacement of parts of plant that have become worn out or inadequate in service, provided that the renewals or replacements have substantially no greater capacity than the parts replaced.

(b) Field Repairs. Field repairs are generally of such a nature that they do not require the plant to be idle for an extended period. In making charges for such repairs the following rules will govern:

(c) If the field repairs cause the operating equipment to shut down for a period of one shift or more during normal working time, the total cost of such repairs, including the pay of crew actually engaged in the repair work, will be charged as repairs. The cost of that part of the crew not actually engaged in the repair work and other operating costs, including attendant plant, not directly chargeable to repairs will be charged as normal operating costs. If the repairs cause the operating equipment to shut down for a period of less than one shift during normal working time, only the actual cost of parts used and special services rendered by other than regular members of the operating crews will be charged as repairs. All other costs of operation, including attendant plant, will be charged as normal operating costs.

(2) Cessation of Work. The VW/RF 211 series of accounts/work items will be further broken down to account for cessation of work. Cessation of work is defined as periods of

ER 37-2-10
Change 88
31 Jan 00

idleness other than standby time necessitated by implementation of the provisions of public law such as Section 106 of Public Law 102-377, dated October 2, 1992. A factor to recover all costs incurred, including those related to the care and maintenance of operating equipment, during periods of idleness will be included in the plant usage rate. Idleness may be caused by either of the following conditions:

(a) During the winter months, in certain localities, operating equipment is generally laid up because of river or weather conditions. All costs, including the cost of care and maintenance of the operating equipment and the cost of crews held over, during the non-working season will be charged to the plant operating account as cessation of work. If periods of idleness occur while the equipment is assigned to a project during the normal working season due to adverse weather conditions all expenses associated with the period of idleness will be charged to the plant operating account and not to the project to which the equipment is assigned. Operating budgets and plant rental rates must be adjusted to ensure that the costs associated with these periods of idleness are recovered by the end of the fiscal year.

(b) Periods of idleness may occur due to the fact that there is no work available upon which the operating equipment can be employed. All costs associated with these periods of idleness, including the costs of crews held over during these non-working periods, will be charged to the plant operating account as cessation of work. Operating budgets and plant rental rates must be adjusted to ensure that the costs associated with these periods of idleness are recovered by the end of the fiscal year.

(3) Small Tools, etc. Subaccounts of the VW211 series will be further broken down to account for costs in connection with the additional acquisition or replacement of expendable small tools, rigging, galley, and quarters equipment. Expenditures for the initial supply of these items will be charged to the proper equipment (asset) account.

(4) Attendant Plant. Costs of a quarter boat used to house and/or subsist the crew of an item of plant will be maintained in separate plant operating accounts, the same as for any other item of plant. The net total cost of operation will be distributed as attendant plant at the end of the month to the plant operating account of the item of plant being attended.

(5) Standby Time Mandated by Public Law. All cost related to standby time mandated by public law will be charged to the plant operating accounts. Budgets and plant rental rates will be computed using the total number of workdays the plant would normally be scheduled to work during the fiscal year if standby time were not mandated by public law.

(a) As a general rule, HQUSACE will establish and fund a specific project under the Operation and Maintenance appropriation for standby time mandated by public law. Accordingly, the standby time will be charged, at the established plant rental rate, to the project established by HQUSACE.

(b) In the event that a specific project is not established and funded by HQUSACE for the mandated standby time, the number of days of scheduled workdays used in the plant rental rate computation will be reduced by the standby time workdays so that all costs associated with the plant are recovered through the rental rates charged to projects on which the plant is actually used. If the resulting rate become prohibitive, specific recommendations to alleviate the situation will be forwarded to HQUSACE when the Plant Rate Computation, ENG Form 22 is revised.

(6) Plant Inventories. Quantities and value of operating supplies on hand should be determined as of the end of each month. Prior to month-end closing, GLAC 315.2, Plant Inventories, will be adjusted to the materials on hand. This inventory adjustment is accomplished by crediting the applicable accounting elements in the VW21 accounts and debiting the VW8021, Warehouse Stock account. At the beginning of the following month the foregoing entry will be reversed.

c. Group Plant Operating Expense. The operating expenses for this class of equipment include the labor of operating crews; fuel; lubricants; miscellaneous operating supplies and expenses; depreciation; repairs; cessation; insurance; etc. Group plant operating costs will be maintained for items of equipment not included in the preceding subparagraph b. Each group account will consist of items of the same type and of approximately the same size or service capacity.

15-14. Predetermined Plant Usage Rates. Operating costs of items of plant will be charged to the work or activity on which the plant is actually operating during the accounting period at predetermined rates computed in accordance with paragraph 15-15. Rates charged for plant usage will be established in amounts to

ER 37-2-10
Change 88
31 Jan 00

absorb the current year estimated costs and to provide an adequate balance for future repairs and overhauls in advance of incurring such costs. Plant Operating Accounts and the rates used therefore will be analyzed at regular intervals throughout each fiscal year to prevent accumulation of excessive debit or credit balances. However, excessive balances that would materially distort the current operating rate if recovered in one year will be recovered in three years or less with HQUSACE approval.

15-15. Computation of Plant Usage Rates.

a. Non-Group Plant. Rates for use of non-group plant are computed on ENG Form 22 which will be prepared and submitted as outlined in ER 1125-2-306.

b. Group Plant. Rates for use of group plant are computed on ENG Form 2438 which will be prepared and submitted as outlined in ER 1125-2-306.

15-16. Distribution of Plant Usage.

a. Non-Group Plant. The operating time of plant will be assembled and distributed to appropriate accounts. ENG Form 2 (Summary of Distribution of...), or other convenient method such as the standard rate distribution program 203P551C and ENG Form 4566 (General Purpose Standard Rate Input Form) will be used as necessary.

(1) Periods Charged. The predetermined rate will be charged to projects for the effective and noneffective working time not chargeable as repairs. The operating time of non-group items will be accumulated and reported under the following categories:

(a) Effective Time. To include only the time plant is actually performing functions for which it is primarily engaged. Included in the effective time are periods for time spent preparing the plant for departure to the work; time in transit to the work; time at the work; and time in transit back to the home station.

(b) Noneffective Time. To include the time of interruptions due to operating delays which are not caused by the plant being out of commission. The predetermined rate will be charged to the project for each day, including Sundays and holidays, or fraction thereof of the operating delay. Exceptions to this rule

will be made when operating delays of one shift or more are caused by the necessity of making repairs (see paragraph 15-13b).

(2) Lost Time not Chargeable to Work. To include the time plant is temporarily out of commission due to the collision, repairs or other causes. During the nonworking season, if any, the rate will be charged only for such days as the plant is actually at work, that is, no charge will be made for the idle time due to adverse weather or working conditions.

b. Group Plant. The predetermined rate for the use of each unit of a group will be billed to the work on which it is engaged. Where group items are leased to a municipality or private party, the lessee is normally required to furnish all fuel, lubricants, and other operating supplies, regardless of whether the plant is furnished with or without operating personnel. Accordingly, rates for such group items will exclude the factors for these items not furnished by the Government.

c. Distribution of Airplane Costs. When an airplane is used for district office purposes, the costs will be charged to the project funds or other accounts of the district. When the airplane is used for division office purposes, the costs will be charged to the division office executive direction and management accounts.

* d. Deleted. *

e. Pro-Forma Entries Plant Usage Distribution.

Sales to Civil

DR: Civil Projects
CR: 401.20 Sales to Civil Works

Sales to Other Revolving Fund Activities

DR: 415.00 Operating expenses (activity utilizing
the item

ER 37-2-10
Change 88
31 Jan 00

CR: 415.00 Operating Expenses (expense account
of item)
COEMIS Transaction Code TR (ENG Form 4479)

Sales to Military

DR: Military Project
CR: 401.30 Sales to Other Appropriations or
Agencies
COEMIS Transaction Code Facility ID (ENG Form 4480)

Loan of Plant

DR: 317.00 Work in Progress
CR: 401.10 Intra-Revolving Fund Sales
401.30 Sales to Other Appropriations and
Agencies
COEMIS Transaction Code TR (ENG Form 4479)

15-17. Asset Disposal - Transfer, Sale, Condemnation, or Loss.

a. GLAC 308.00 Plant Retirement Work in Progress. This account includes the cost of land, structures, and equipment in process of retirement. When an asset becomes excess to the needs of the USACE Command, the asset should be placed in a retirement status pending final disposition. The account is debited with the book value of the asset to be retired and all costs incurred during the disposition of the asset. This account is credited with the sales price of the asset and other credits such as plant rental or adjustments to book value occurring during the period of disposition. The balance remaining after disposal is transferred to GLAC 351, Insurance, when the asset is disposed of as a result of a casualty loss; to GLAC 333, Transfers of Cost or Property, in the case of property transfers without reimbursement; or to GLAC 338, Nonoperating Income or Loss, in the case of assets disposed of by sale or in the event that the asset is unsaleable.

b. Methods of Disposal. Disposals of property will be effected by means of transfer or retirement. Transfer means the exchange and transfer of accountability without transfer of funds either within the Revolving Fund between USACE Commands or between the Revolving Fund and other appropriations or agencies. Transfers shall be processed without going through GLAC 308.00 if final disposition (i.e., transfer) is known immediately upon the asset becoming excess. Retirement is disposition through 1) sale to other appropriations, projects, or private individuals; or 2) by scrapping, condemnation, or loss.

15-18. Asset Transfers.

a. Intra-Revolving Fund Transfers Between USACE Commands. Intra-Revolving Fund transfers of excess plant, properties, and equipment with the related plant operating account balances, between USACE Commands will be effected without the transfer of funds. The transfer value of the plant, properties, and equipment will be the book value determined from the accounts of the losing USACE Command at the time of transfer.

(1) Transfer of Plant Operating Account Balance. In the case of nongroup items of operating equipment, the balance in the related plant operating account will be transferred to the acquiring USACE Command in conjunction with the transfer of the asset. In the case of group items, the balance of the related plant operating account will only be transferred to the acquiring USACE Command when all items in the group are transferred or the only item in the group is transferred.

(2) Transfer Expenses. The expenses of transfer will not be capitalized, and will generally be paid by the receiving USACE Command. As a general rule, transfer expenses will be treated as current operating expenses.

(3) Transfer of Non-Group Plant. When nongroup operating equipment is transferred by one USACE Command to another within the Revolving Fund, a copy of the latest approved Plant Rate Computation, ENG Form 22, completed to date of transfer, will be furnished by the losing USACE Command to the receiving USACE Command through the Division Commander, if applicable. If the two USACE Commands are in different divisions, two copies of the ENG Form 22 (one for the receiving division office) will be prepared and forwarded to the receiving USACE Command, through the two division commanders concerned. If the plant book value is over \$100,000 the losing USACE Command will promptly notify HQUSACE (CECW-OM) of the transfer via memorandum, which will be forwarded through the Division Commander, in order that proper transfer will be made in the HQUSACE files.

If the receiving USACE Command finds it necessary, a revised ENG Form 22 will be prepared in accordance with ER 1125-2-306. The purpose is to maintain the continuity of data regarding the equipment.

(4) Time Frame for Transfers. To maintain accounting control over Revolving Fund assets, it is essential that transfers between

ER 37-2-10
Change 88
31 Jan 00

USACE Commands are accounted for in the same amounts and in the same GLAC and cost account series on the books of the USACE Commands involved. Ideally the transactions will be processed in both USACE Commands within the same month, but must be processed within the same quarter. Therefore, the losing USACE Command will transmit a copy of ENG Form 4480 ("SH" transaction code) which discloses removal entries for items transferred and the date of removal. Date of removal will be established so as to allow for transit time. The receiving USACE Command will transmit to the losing USACE Command a confirmation copy of the ENG Form 4480, within 10 days of receipt, recording receipt of the transferred item. The losing USACE Command will compare the confirmation copy with their transaction to assure accuracy. The losing USACE Command will take follow-up action if confirmation is not received within 30 days following the transfer.

b. Transfers to Other Agencies and Appropriations. Revolving Fund property may be transferred without reimbursement to other agencies with HQUSACE approval (see ER 700-1-1). However, reimbursement of transfer expenses is required. The book value of property transferred without reimbursement to other agencies and appropriations will be transferred to GLAC 333.1, Transfers - Other Government Agencies and Appropriations upon completion of the transfer. In those cases involving transfers of major items of property, which will involve substantial dismantlement prior to transfer, the entire transfer actions will be processed as provided for retirement, except that final accounting for such transfer is made to the appropriate GLAC 333.-, Transfers of Cost or Property. Remaining balances in plant operating accounts, upon disposition of the last item in the group asset account and remaining operating account balances for non-group plant disposed of will be prorated to the open items of work on which the plant worked during the past year or operating season. If there are no open items, apply the balance to open items of like work.

c. Pro-Forma Entries for Asset Transfers.

Transfer-Out, Without Reimbursement To Other Government Agencies and Appropriations.

Transfer of Land (VW70).

DR: 333.10 Transfers - Other Government Agencies &
Appropriations
CR: 301.10 Land
COEMIS Transaction Code SF (ENG Form 4480)

Transfer of Structures or Equipment (VW71-VW77).

Book Cost:

DR: 333.10 Transfers - Other Government Agencies &
Appropriations
CR: 301.2 Structures and Equipment
COEMIS Transaction Code SF (ENG Form 4480)

Accumulated Depreciation:

DR: 302.00 Provision for Depreciation - Structures &
Equipment
CR: 333.10 Transfers - Other Government Agencies &
Appropriations
COEMIS Transaction Code SF (ENG Form 4480)

Intra-Revolving Fund Transfer-Out Without Reimbursement to
Another USACE Command

Transfer of Land (VW70).

DR: 333.20 Transfers - Intra-Revolving Fund
CR: 301.10 Land
COEMIS Transaction Code SH (ENG Form 4480)

Transfers of Structures and Equipment (VW71-VW77).

Book Cost:

DR: 333.20 Transfers - Intra-Revolving Fund
CR: 301.20 Structures and Equipment
COEMIS Transaction Code SH (ENG Form 4480)

Accumulated Depreciation:

DR: 302.00 Provision for Depreciation - Structures &
Equipment
CR: 333.20 Transfers - Intra-Revolving Fund
COEMIS Transaction Code SH (ENG Form 4480)

Transfer of Retired Plant (VW70-VW77).

DR: 333.20 Transfers - Intra-Revolving Fund
CR: 308.00 Plant Retirement Work in Progress
COEMIS Transaction Code SH (ENG Form 4480)

ER 37-2-10
Change 88
31 Jan 00

15-19. Sale, Dismantlement, or Condemnation.

a. Accounting Treatment. All dispositions by sale, dismantlement, or condemnation will be processed through GLAC 308.00 Plant Retirement Work in Progress and will be supported and authorized by a retirement work order, ENG Form 3013, or other appropriate document. The book value will remain in the asset account but will be identified as being in retirement. All charges for depreciation, plant increment, and insurance will cease once the asset is placed in retirement. All expenses incurred in connection with the sale, dismantlement or condemnation, the value of any salvaged materials, and the proceeds from sales will be recorded in the asset account. In the event that a disposal by sale results in a net profit (sale proceeds exceed cost) the profit will be transferred to GLAC 338.00, Non-operating Income or Loss, as a gain. Any balance remaining after final disposition is complete transferred to GLAC 338, Nonoperating Income or Loss. Cost accounts in the VW70 through VW77 series will be reviewed at least quarterly and immediately prior to the end of the fiscal year to ensure closures of accounts representing complete retirements.

b. Plant Operating Account Balances.

(1) Non-Group Plant Operating Accounts. Non-group plant operating account balances related to the plant, property, or equipment disposed of through sale, dismantlement, or condemnation will be transferred to GLAC 338.00, Nonoperating Income or Loss.

(2) Group Operating Accounts. Group plant operating account balances will only be transferred to GLAC 338.00 in those instances in which all items included in the group are sold, dismantled, or condemned or the item disposed of is the only remaining item of that group. In those cases in which less than all the items are disposed of, the plant usage rate will be reviewed and revised as necessary at time of loss.

c. Pro-Forma Entries for Sale, Dismantlement, or Condemnation.

Sale, Dismantlement, or Condemnation.

Transfer of Book Cost of Asset to Retirement Work in Progress.

ER 37-2-10
Change 88
31 Jan 00

DR: 308.00 Plant Retirement Work in Progress
CR: 301.10 Land (VW70)
301.20 Structures and Equipment (VW71-VW77)
COEMIS Transaction Code SC (ENG Form 4479)

Transfer of Accumulated Depreciation to Retirement Work
in Progress.

DR: 302.00 Provision for Depreciation - Structures &
Equipment
CR: 308.00 Plant Retirement Work in Progress
COEMIS Transaction Code SC (ENG Form 4479)

Proceeds From Sale of Retired Assets

DR: 313.00 Accounts Receivable
CR: 308.00 Plant Retirement Work in Progress
COEMIS Transaction Code DG (ENG Form 4480)

Disposal Action Completed

Transfer from Retirement - Net Loss on Sale

DR: 338.00 Nonoperating Income or Loss
CR: 308.00 Plant Retirement Work in Progress
COEMIS Transaction Code SD (ENG Form 4479)

Transfer from Retirement - Net Gain on Sale

DR: 308.00 Plant Retirement Work in Progress
CR: 338.00 Nonoperating Income or Loss
COEMIS Transaction Code SD (ENG Form 4479)

15-20. Losses and Damages.

a. Losses Involving Structures and Equipment. Revolving Fund plant, property, and equipment lost or damaged beyond economical repair by fire, flood, theft, sinking, or other casualty normally covered in the private sector by insurance policies will be taken out of service through GLAC 308.00 and charged to GLAC 351.00, Insurance immediately after the loss or damage is discovered. All such losses will be documented on a Report of Survey in accordance with AR 735-5 and ER 700-1-1. Replacement of plant, property, or equipment lost or damaged beyond economical repair will be accounted for as a new procurement in accordance with paragraphs 15-3 and 15-6.

b. Plant Operating Account Balances.

(1) Non-Group Plant Operating Accounts. Non-group plant operating account balances related to the lost plant, property, or equipment will be transferred to GLAC 351.00, Insurance.

ER 37-2-10
Change 66
1 Oct 91

(2) Group Operating Accounts. Group plant operating account balances will only be transferred to GLAC 351.00 in those instances in which all items included in the group are lost or the item lost is the only remaining item of that group. In those cases in which less than all the items are lost, the plant usage rate will be reviewed and revised as necessary at time of loss.

c. Casualty Damages to Structures and Equipment. When an item of structures or equipment, included in the asset accounts of the Revolving Fund, is damaged due to a casualty such as is normally covered by commercial insurance policies, the cost of repairs will be accumulated in a separate miscellaneous facility account, VW59, if performed in-house. Upon completion of the repairs, the costs will be transferred to GLAC 351, Insurance. If the repairs are performed by contract, contract payments will be charged directly to GLAC 351. If the repair work is performed both in-house and by contract total cost will be accumulated in the miscellaneous facility account and then transferred to GLAC 351 upon completion. All casualty damages to structures and equipment must be fully documented on a Report of Survey in accordance with AR 735-5 and ER 700-1-1.

d. Casualty Damages and Losses to Warehouse Stocks. When items included in warehouse stock accounts in the Revolving Fund are lost or damaged to the extent of becoming unusable for the purpose for which held as a result of a casualty such as is normally covered by commercial insurance policies, the book cost of the items will be charged to GLAC 415, Operating Expense (account VW25) and credited to 315.10 Warehouse Stocks (account VW80). The estimated salvage value will be transferred from the warehouse operating account, VW25, to the salvage operations account, VW27. The remaining balance, book cost less estimated salvage value will be charged to GLAC 351.

e. Casualty Damages or Loss to Plant Inventories. Casualty losses or damages to plant inventory items will be charged directly to GLAC 351, Insurance. All casualty damages to plant inventories must be documented on a Report of Survey in accordance with AR 735-5 and ER 700-1-1.

f. Cost of Public Liability Damages. Costs incurred as a result of liability to the public or other agencies when resulting from the operation of Revolving Fund capitalized plant, property, or equipment and when properly documented and approved by competent authority, will be charged to GLAC 351, Insurance. Documentation should be in the form of a Report of Survey in accordance with AR 735-5 and ER 700-1-1.

g. Pro-Forma Entries for Losses and Damages.

Retirement Due to Casualty Loss

Plant Lost - Book Cost

DR: 351.00 Insurance
CR: 301.10 Land
301.20 Structures and Equipment
COEMIS Transaction Code SL (ENG Form 4480)

Plant Lost - Depreciation

DR: 302.00 Provision for Depreciation - Structures &
Equipment
CR: 351.00 Insurance
COEMIS Transaction Code "SL" (ENG Form 4480)

Plant Lost - Cost of Disposal

DR: 351.00 Insurance
CR: 308.00 Plant Retirement Work in Progress
COEMIS Transaction Code "SL" (ENG Form 4480)

15-21. GLAC 338.00 - Nonoperating Income or Loss. This GLAC is maintained for recording details pertaining to gains and losses resulting from transactions which are not attributable to normal operations of the Revolving Fund, such as: 1) sales of plant, properties, and equipment; 2) transfers of plant, properties, and equipment with reimbursement to other agencies of the Government or other appropriations; 3) gains and losses resulting from salvage operations; and 4) other transactions not attributable to normal operations, such as interest on delinquent accounts receivable, and other items required to be deposited as general fund receipts. This GLAC is supported by the following ADP workcodes:

a. VW900100 - Proceeds Of Sales - Plant, Properties, and Equipment. This account will be credited with gross income realized from the sales of plant, properties, and equipment in the form of receipts from sales, salvage recoveries, etc., exclusive of such income included in subsidiary account VW900900.

ER 37-2-10
Change 82
29 Aug 94

b. VW900200 - Book Value of Plant, Properties, and Equipment Retired. This account will be charged with book values of plant, properties, and equipment sold or retired, plus costs incident to disposal, the income realized therefrom being recorded in account VW900100. See paragraph 15-19 concerning accounting procedures for sales, dismantlement and condemnation of assets.

c. VW900300 - (Reserved).

d. VW900400 - Surcharges on Loan of Plant and Facilities to Nonfederal Agencies. This account will be credited with surcharges earned from plant loaned to others.

e. VW900500 - VW900800 - (Reserved).

f. VW900900 - Other Net Nonoperating Income or Loss. This account will be charged or credited, as appropriate, with net amounts of non-operating income or loss, not accounted for elsewhere, such as interest collections, and items required to be deposited as general fund receipts. After the end of each fiscal year this account will include the net income or loss transferred from account VW27 - Salvage Operations.

g. Pro-Forma Entries for Non-Operating Income or Loss.
(also see para 15-19).

Collection of Interest Accounts Receivable

DR: 335.00 Funds Returned to US Treasury
CR: 338.00 Nonoperating Income or Loss
COEMIS Transaction Code GB (ENG Form 4480)

15-22. Conversion/Reclassification of Assets. When an item of plant is to be converted from one type to another, to the extent that it is considered a new item of plant, the net remaining balance in the plant operating account relating to the original item of non-group plant will be recouped through the new item*s plant usage rate. If the item is the only item of a group or the last item of the group, the plant operating balance will be recouped through the new item*s plant usage rate. A new ADP workcode will be established for use with GLAC 307.00 Plant Acquisition in Progress to which will be charged conversion costs, less credits for materials salvaged. The actual cash outlays, if in excess of \$25,000 will be subject to the current PRIP authority. The book value of the plant to be converted will be moved to plant-in-service within the new workcode. Upon completion of the conversion work, the conversion costs will be

*

transferred from GLAC 307.00 to GLAC 301.20, Structures and Equipment, so that the new book cost of the converted plant is properly reflected.

Pro-Forma Entries for Conversion/Reclassification of Assets

Original Cost or Additions and Betterments to Conversion Account

DR: 307.00 Plant Acquisition in Progress
CR: 301.20 Structures and Equipment
COEMIS Transaction Code SK (ENG Form 4479)

Depreciation to Conversion Account

DR: 302.00 Provision for Depreciation - Structures & Equipment
CR: 307.00 Plant Acquisition in Progress
COEMIS Transaction Code SK (ENG Form 4479)

15-23. Loan of Plant Between USACE Commands.

a. Time Chargeable to Borrowing USACE Command. When plant is loaned to a single borrowing USACE Command, the cost of operation for the time stated in paragraph 15-16 will be charged to the borrowing USACE Command. When plant is loaned to one borrowing USACE Command, and after completion of the work it is loaned to another borrowing USACE Command, the second borrowing USACE Command will be charged with the cost of operation from the time the plant left for that USACE Command. The last borrowing USACE Command will pay the cost of operation for time in transit to the home station. When plant is being used in one borrowing USACE Command and is desired by another USACE Command with the understanding that upon completion of work the plant will be returned to the previous borrowing USACE Command, the second borrowing USACE Command will be charged with the cost of operation from the time it leaves until the time it returns to the previous borrowing USACE Command.

b. Insurance on Loaned Plant. Costs of the kinds properly chargeable to the Revolving Fund Insurance account, pertinent to borrowed plant, will be reflected in such account maintained by the lending USACE Command, except for damages to private property and reimbursement for loss of personal property caused by Revolving Fund operations where the borrowing USACE Command furnished the crew. (See ER 1125-2-305)

ER 37-2-10
Change 88
31 Jan 00

15-24. Loan of Plant to Other Non-Federal Agencies. It is HQUSACE policy not to lease Revolving Fund owned plant to States, their political subdivisions, or to private parties, except where an urgent and essential need exists and all efforts to obtain such plant and other equipment from private sources have failed. The purpose of this policy is to avoid any semblance of competition or interference with equipment dealers, contractors, or others engaged in similar work. This policy does not apply when the plant or equipment is required for emergency use to save life or property. Any loan of plant will be processed in accordance with ER 1125-2-305. The rental charge will include a 25% surcharge to provide more complete protection of the public interests.

Pro-Forma Entry for Surcharge.

Surcharges on Loan of Plant and Facilities to Non-Federal Agencies

DR: 313.00 Accounts Receivable
CR: 338.00 Nonoperating Income or Loss
COEMIS Transaction Code DG (ENG Form 4480)

15-25. Plant in Mothball Status. Mothball status is a term used for preserving an item of plant, in storage, that is no longer being utilized by the owning USACE Command - but future use is anticipated. Placing an item of plant in mothballs should be anticipated and planned before the work comes to an end in order to adjust the plant usage rates to provide a credit balance to cover estimated mothballing costs. Mothballing costs will include those expenses necessary to place the item in storage to provide minimal deterioration. An item of plant is placed in mothball status only upon approval of HQUSACE, CERM-B.

a. Depreciation, Plant Increment, and Insurance. Cessation of depreciation, plant increment, and insurance accruals will be effected for the duration of mothball status. Upon reactivation, the remaining useful life of the plant will be ascertained, and the rates for depreciation, plant increment, and insurance will be determined in accordance with the applicable provisions of this regulation.

b. Plant Operating Accounts. The plant operating account related to plant placed in a mothball status will remain active

until the final disposition of plant is determined and will be used to record all mothballing and demothballing costs in accordance with the provisions of paragraph 15-24c.

(1) If the plant in mothball status is reactivated, the balance in the plant operating account at the time of reactivation will be included in the operating budget and computation or the plant rental rate for the initial work period after reactivation. If the computed plant rental rate for the initial work period would be prohibitive, an alternate method of equitably distributing the costs in the plant operating account at the time of reactivation may be used with the approval of CECW-OM-B. The proposed alternate method forwarded to CECW-OM-B for approval should consider such factors as past usage, the reason(s) for retention of the item in mothball status, the remaining useful life of the item, estimated usage and any other factors deemed appropriate by the local commander.

(2) If the plant in mothball status is ultimately declared excess and disposed of, the balance in the plant operating account at the time of disposal will, as a general rule, be distributed to the plant operating accounts of like items in an equitable manner. However, subordinate commands at which there are no like items of plant, may distribute the balance in the plant operating account at the time of disposal to the type of work on which the plant was last used or the organizational element(s) which last used the plant as appropriate.

c. Mothballing and Demothballing Costs. All costs associated with placing and maintaining an item of plant in mothball status and/or reactivating the plant (demothballing) will be charged to the plant operating account of the item as a current operating expense. The costs in the operating account at the time the ultimate disposition of the item in mothball status is determined will be recovered in the manner prescribed in paragraph 15-25b.