

## CHAPTER 2

### CAPITAL ASSETS

2-1. Purpose. Define general policies for the acquisition supervision and administration of capital assets obtained by the USACE.

2-2. Capital Assets.

a. General. Capital assets are the tangible and intangible resources used directly or indirectly in the execution of USACE mission requirements, including program management and execution, and in project design, construction, and operation and maintenance. Capital assets include, but are not limited to, information technology hardware and software; vehicles; buildings and other structures; floating plant including dredges; construction equipment; real property; tools and equipment; communications; and aircraft.

b. Distinguishing characteristics. Capital assets have an expected useful life of at least two years and an acquisition cost that meets or exceeds the expense-investment funding threshold applicable at the time of acquisition. This threshold is subject to intermittent revision; the threshold change shall be applied prospectively. Assets capitalized in accordance with previous thresholds will continue to be capitalized and depreciated as applicable without regard to changes in the threshold.

2-3. Capitalization Threshold. Capitalization thresholds can be found in Appendix A.

2-4. Capitalization Basis. Capital assets acquired must be recorded at full cost. 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.

2-5. Acquisition/Ownership Requirements.

a. Ownership of capital assets will be based on authorized mission requirements that cannot be accomplished safely or economically by other means, including the use of leased assets. Economic analysis will take into account the estimated duration of the requirement and all costs of acquisition and ownership, including costs of rehabilitation and/or upgrading to meet new technological standards.

b. Capital assets will be maintained to ensure continued safe use, to maximize availability to meet mission requirements, and to retain the highest level of efficiency of operation.

c. Periodic reviews will be performed to determine the continued requirement for capital asset ownership to meet mission requirements, including economic viability of the existing assets in meeting this requirement and safety of operation.

d. Justification for additions and betterments, rehabilitation, replacement, or retention in service of a capital asset, including an asset that is considered to be obsolete or which has reached the end of its estimated life, will be based on a safety review and an economic analysis, which considers all alternatives, including the use of leased assets.

e. Capital assets that are no longer required to meet mission requirements, that are unsafe, and/or that are no longer

economically viable will be disposed of promptly.

2-6. Funding. Funding for the acquisition, operation and maintenance, and replacement of capital assets varies depending on the authorized mission for which the asset is required:

a. Single Civil Works project or program. All funding is from project or program funds.

b. Multiple Civil Works projects or programs, or exclusively Civil Works districts or separate field operating activities. Acquisition, additions and betterments, or replacement funding is from the Revolving Fund Plant Replacement and Improvement Program (PRIP).

c. Single military project or program, multiple military projects or programs, primarily military districts or separate field operating activities, DA or DoD mandate. Acquisition, additions and betterments, or replacement funding is from Other Procurement, Army Based Commercial Equipment (OPA3) Funds. Operations and maintenance and rehabilitation funding is from Operation and Maintenance, Army (OMA) funds.

d. Joint Civil Works and military projects and programs acquisition, additions and betterments, or replacement funding is from the Revolving Fund Plant Replacement and Improvement Program (PRIP) when the assets are required for Civil Works projects or programs and utilization in support of military projects and programs is incidental. Revolving Fund, PRIP must be reimbursed for the entire military share within the fiscal year of the acquisition. When utilization in support of military projects and programs is not incidental, but requires additional capacity or capabilities, then funding for the additional capacity or capability must be from military capital acquisition or operations and maintenance accounts current at the time of acquisition.

2-7. Use of Public Property. USACE capital assets are public property and will be used only for the accomplishment of authorized projects or programs. Even the appearance of misuse

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of public property is to be avoided. See ER 1130-2-500, Chapter 7, section IV, "Use, Loan, Lease, and Hire of Plant".