

Reclamation Manual

Directives and Standards

Subject:	General Property, Plant, and Equipment (G-PP&E)
Purpose:	To establish the Bureau of Reclamation's requirements and procedures for the valuation and accounting for investment in G-PP&E. The benefit of this Directive and Standard (D&S) is to provide guidance to properly value and record G-PP&E in accordance with generally accepted accounting principles (GAAP).
Authority:	Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS 6 , <i>Accounting for Property, Plant, and Equipment</i> ; FASAB SFFAS 10 , <i>Accounting for Internal Use Software</i> ; FASAB SFFAS 29 , <i>Heritage Assets and Stewardship Land</i> ; FASAB SFFAS 44 , <i>Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use</i> ; FASAB SFFAS 50 , <i>Establishing Opening Balances for General Property, Plant, and Equipment</i> ; FASAB Technical Release (TR 5), <i>Implementation Guidance on Statement of Federal Financial Accounting Standards 10: Accounting for Internal Use Software</i> ; FASAB TR 13 , <i>Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment</i> ; FASAB TR 14 , <i>Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment</i> ; FASAB TR 16 , <i>Implementation Guidance for Internal Use Software</i> ; FASAB TR 17 , <i>Conforming Amendments to Technical Releases for SFFAS 50, Establishing Opening Balances for General Property, Plant, and Equipment</i> ; Department of the Treasury, U.S. Standard General Ledger ; Department of the Interior Acquisition, Assistance, and Asset Policy (DOI AAAP)-0120, <i>Classifying Property, Plant, and Equipment</i> ; DOI AAAP-0122, <i>Property, Plant, and Equipment – Capitalization Criteria</i>
Approving Official:	Director, Mission Support Organization
Contact:	Business Analysis Division, Compliance and Audit Team (84-27410)

1. **Introduction.** Reclamation classifies its property, plant, and equipment (PP&E) as G-PP&E, stewardship land, or heritage assets. Reclamation's G-PP&E includes land, assets under construction (AUC) (also known as construction in progress (CIP)), construction in abeyance, buildings, other structures and facilities, data processing software, and equipment (also known as personal property or moveable property). Reclamation uses G-PP&E to provide goods and services and to fulfill its mission of managing, developing, and protecting water and related resources.
2. **Applicability.** This D&S applies to all Reclamation employees involved in managing, overseeing, or recording G-PP&E.

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3. **Capitalization Criteria.** The regional finance office is responsible for determining whether to capitalize or expense costs in accordance with GAAP requirements, policy, and directives. Appendix A contains a flowchart to assist in determining capitalization. Reclamation capitalizes assets that meet the following criteria:
 - A. have estimated useful lives of 2 years or more;
 - B. are not intended for sale in the ordinary course of operations; and
 - C. have been acquired or constructed with the intention of being used or being available for use by Reclamation.
4. **Capitalization Threshold.** Reclamation capitalizes the acquisition cost and other costs necessary to bring the asset to an operable condition if the total cost equals or exceeds Reclamation's capitalization threshold. If the combined costs do not equal or exceed the threshold, the costs are expensed in the period incurred. Reclamation's personal property threshold level is \$25,000 in accordance with DOI-AAAP 0122, except for fleet vehicles. Reclamation's threshold for fleet vehicles is \$15,000. Reclamation's real property threshold is zero. Appendix B contains memorandum dated September 28, 2004, for the justification of Reclamation's zero threshold for real property. See Reclamation Manual (RM) D&S, *Computer Software Costs* ([FIN 07-32](#)) for the capitalization threshold for computer software.
5. **Expensed Costs.**
 - A. Reclamation expenses costs that do not meet the criteria for capitalization in general ledgers (GL) 6100.xxxxx through 6850.xxxxx in the current accounting period. Examples of expensed costs are:
 - (1) costs incurred for a program's administration;
 - (2) costs incurred for program activities not related to acquiring, constructing, enhancing, improving or extending the useful life of a Federally-owned capital asset;
 - (3) investigations and development costs incurred prior to the authorization or decision to pursue construction of a Federally-owned asset; and
 - (4) costs not directly related to the costs incurred to bring an asset to a form and location suitable for its intended use.
 - B. When Reclamation incurs costs to construct a non-Federally-owned capital asset, it expenses the cost in the period incurred (GL 6900.xxxxx).
 - C. Reclamation expenses costs to obtain personal property when the acquisition costs do not reach Reclamation's capitalization threshold. If Reclamation acquires sensitive

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assets (e.g., firearms) regardless of the cost, and system-controlled assets (e.g., laptops) that are below the capitalization threshold but reach the accountability level (\$5,000), it expenses these items and creates an asset master record in the Financial and Business Management System (FBMS) for inventory management purposes.

- D. Reclamation expenses the cost of acquisition, improvement, reconstruction, or renovation of heritage assets in the period incurred. It capitalizes the acquisition, improvement, reconstruction, or renovation of multi-use heritage assets as G-PP&E.

6. Capitalized Costs.

- A. Reclamation records capitalized G-PP&E at full cost. Full cost includes all costs incurred to bring the G-PP&E to a form and location suitable for its intended use. Capitalized construction costs include contract costs, non-contract costs, direct labor and material costs, and indirect costs related to the construction of G-PP&E. The costs Reclamation incurs to bring an asset to its intended use may include the following:
- (1) amounts paid to vendors;
 - (2) transportation charges to the point of initial use;
 - (3) handling and storage costs;
 - (4) labor and other direct or indirect production costs (for assets it produces or constructs);
 - (5) engineering, architectural, designs, plans, specifications, and surveys (note that Reclamation only capitalizes these costs when it incurs them post-authorization or post-decisional);
 - (6) acquisition and preparation costs of buildings and other facilities;
 - (7) an appropriate share of the cost of the equipment and facilities used in construction work;
 - (8) fixed equipment and related installation costs required for activities in a building or facility;
 - (9) direct costs of inspection, supervision, and administration of construction contracts and construction work;
 - (10) legal and recording fees and damage claims;
 - (11) fair value of facilities and equipment donated to the government (note that this value is generally an estimate and is not recorded until title has transferred to Reclamation); and

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- (12) material amounts of interest costs Reclamation paid.
- B. Reclamation-specific costs which are also recorded in GL 1720.CIP00 account are:
- (1) interest during construction (see RM D&S, *Interest During Construction (IDC)* ([FIN 07-21](#)));
 - (2) certain post-authorization or post-decisional investigation and development costs attributable to the asset under construction;
 - (3) certain post-authorization or post-decisional cultural resource or archaeology costs attributable to the asset under construction; and
 - (4) temporary easements directly attributable to the asset under construction (refer to RM D&S, *Land* [FIN 07-22](#) for requirements regarding permanent or perpetual easements).
- C. Reclamation capitalizes costs it incurs that are directly attributable to acquiring, constructing, enhancing, improving, or extending the life of a Federally-owned asset, when it incurs them after the decision to pursue construction or after actual construction authorization. For example, Reclamation capitalizes costs for goods and services, such as engineering, supervision, labor, materials, and supplies, that are directly attributable to construction or that will result in the acquisition or construction of a Federally-owned asset, when it incurs them after the decision to pursue construction (post-decisional) or after actual construction authorization (post-authorization).
- D. Reclamation capitalizes costs for activities not directly construction related (such as investigations, surveys, wildlife relocation or wildlife studies) and other activities (such as environmental studies and wetlands development), if the costs are attributable to pre-construction, construction, or acquisition of a Federally-owned asset, and if Reclamation incurs them after the decision to pursue construction (post-decisional) or after actual construction authorization (post-authorization).
- E. The flowchart in Appendix A is from Chapter 3 of the *Federal Replacements – Units, Service Lives, Factors* ([Replacements Book](#)). Use the flowchart to assist in determining capitalization.
- F. Reclamation decides to capitalize or expense costs before establishing the work breakdown structure (WBS). Refer to RM D&S, *Master Data and General Ledger (GL) Chart of Accounts* ([FIN 04-20](#)) for the requirements to establish a WBS. Refer to RM D&S, *Assets Under Construction (AUC)* ([FIN 07-24](#)) [Appendix B](#) and [FIN 07-22](#) for job number (main) requirements.
7. **Replacement Costs.** Reclamation expenses costs if the replacement occurs for operation and maintenance (O&M) purposes directed towards keeping the asset in an acceptable

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condition and the replacement does not expand the capacity of an asset; does not extend its useful life two years or more; or does not otherwise upgrade it to serve needs different from, or significantly greater than its current use. Reclamation capitalizes the costs if the replacement increases the capacity or efficiency, extends the useful life by two years or more, or replaces an existing capitalized asset. Use the flowchart in Appendix A to assist in determining capitalization.

8. **Dam Safety Program Costs.** The Dam Safety Program has its own unique criteria for determining when to begin capitalizing costs and for determining what costs to capitalize or expense. Refer to RM D&S, *Bureau of Reclamation Dam Safety Program* ([FAC 06-01](#)) for additional information. The Dam Safety Program performs two main tasks:
 - A. **Safety of Dams (SOD) Evaluation and Modification Program.** The SOD Evaluation and Modification Program identifies and evaluates SOD issues and implements modifications to the G-PP&E, if warranted, to reduce associated risk to the downstream public. Reclamation breaks this task down into three sub-tasks:
 - (1) **Safety Evaluation of Existing Dams (SEED).** The SEED sub-task provides for data collection, performance monitoring, periodic examinations, technical studies, and analyses to identify and evaluate potential dam safety issues. These activities identify and assess public safety risks associated with dam safety issues to determine if they warrant SOD corrective actions. These activities benefit the general public and are not program costs. Reclamation generally expenses these costs because they do not extend the useful life, capacity, or efficiency of an asset.
 - (2) **Initiate SOD Corrective Action (ISCA).** The ISCA includes project formulation, approval, preconstruction, and construction activities on Reclamation's dams having identified safety issues. Reclamation capitalizes all costs it incurs under this sub-task if corrective actions involve physical modification to an existing structure(s) or the construction of additional structure(s). The work Reclamation performs under this sub-task meets the intent and purpose of an improvement in that:
 - (a) the modified or new structure will result in a substitution of a better asset;
 - (b) the intent is to increase the future service potential of the asset by allowing it to function normally rather than possibly operating at reduced capacity due to safety restrictions, thus increasing the efficiency and effectiveness of the asset; and
 - (c) the work will benefit several accounting periods.
 - (3) **SOD Corrective Action Studies.** The SOD Corrective Action Studies sub-tasks include program management, studies, and support activities for SOD corrective action issues.

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- (a) Reclamation capitalizes the costs it incurs under this sub-task if it capitalized the ISCA expenditures for the project.
- (b) Reclamation expenses costs it incurs under this sub-task if the ISCA actions do not involve physical modifications of an existing structure(s) or construction of an additional structure.

- B. Department Dam Safety Program.** The Department's Dam Safety Program provides for Reclamation's management of the Department's program, which includes facilitation and guidance to other Department bureaus for their individual Dam Safety Programs. Reclamation expenses expenditures it incurs under this task.
9. **Cost Share.** In instances where non-Federal entities provide part of the cost of a Federally-owned asset, Reclamation must capitalize the full cost of the completed asset in its accounting records and subsequently depreciate them. The project manager is responsible for ensuring the cost share data from the non-Federal entity is provided to the regional finance office for posting into FBMS. Reclamation records the non-Federal share of the cost of the asset at least annually or in accordance with the cost share agreement (e.g., if the non-Federal partner must provide cost share data quarterly, the project manager must ensure the regional finance office receives the cost share data quarterly). See [FIN 07-24](#) for more information.
10. **Assets Under Construction.** Reclamation first records costs it incurs to construct a Federally-owned asset in operating expense GL accounts and then settles them to AUC (GL 1720.CIP00). At least quarterly, in accordance with [FIN 07-24](#), the project manager, in conjunction with the regional finance office, performs an analysis to determine the status of any construction activity. The project manager is responsible for reviewing project costs for reasonableness and working with the construction manager and the regional finance office to validate the costs are captured in the relevant WBS. The regional finance office is responsible for coordinating and analyzing the AUC quarterly review. Refer to RM D&S, *Completion of a Construction Activity* ([FAC 01-05](#)) and [FIN 07-24](#) for the responsibilities and criteria pertaining to the transfer of a construction activity from AUC to the appropriate completed asset GL account.
11. **Completed Assets.** Reclamation records its acquisition of assets at the "main" asset level (e.g. dam, building, bridge). The [Replacements Book](#) designates many of Reclamation's capitalized additions, betterments, and replacements as individual assets. Reclamation usually records additions, betterments, and replacements with their own useful life as a "sub-asset" under the main asset. When the capitalized replacement replaces an existing capitalized asset, Reclamation disposes the original asset even if it recorded the original asset as part of a main asset. (For example, when Reclamation constructs a dam, the dam may include a turbine with a turbine runner. Reclamation records the acquisition of the dam as a main asset. When Reclamation replaces the turbine runner with a new turbine runner that increases the efficiency of the previous turbine runner, Reclamation records the disposal of the original turbine runner and records a sub-asset for the new capitalized turbine runner

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with its own useful life.) See Paragraph 17 for information regarding disposals. Occasionally, an addition, betterment, or replacement may directly extend the useful life of the main asset (the dam itself). Reclamation adjusts the remaining useful life of the main asset to reflect this extension. (In the example above, the replacement of the turbine runner did not increase the life of the dam.) See RM D&S, *Depreciation and Amortization* ([FIN 07-23](#)) for additional information on useful life. Completed asset GL accounts include:

- A. GL 1730.xxxxxx – *Capitalized Buildings, Improvements, and Renovations.*
 - B. GL 1740.xxxxxx – *Capitalized Other Structures and Facilities.*
 - C. GL 1750.xxxxxx – *Capitalized Equipment.*
 - D. GL 1820.xxxxxx – *Capitalized Leasehold Improvements.*
 - E. GL 1990.xxxxxx – *Capitalized Other Assets.*
12. **Suspended Construction Activities.** Reclamation records permanently suspended physical assets as G-PP&E Permanently Removed but Not Yet Disposed in accordance with RM D&S, *Construction in Abeyance (CIA)* ([FIN 07-26](#)).
13. **Partially Impaired G-PP&E.** Reclamation records significant and permanent partial impairments in accordance with RM D&S, *Accounting for Partial Impairment of General Property, Plant, and Equipment (G-PP&E)* ([FIN 07-27](#)).
14. **Useful Life.** Reclamation uses the [Replacements Book](#) as the primary source to determine the useful life of an asset. See [FIN 07-23](#) for additional information.
15. **Depreciation.** Reclamation depreciates or amortizes capitalized costs, with the exception of land and permanent land rights, over the useful life of the asset. Refer to [FIN 07-23](#) for depreciation procedures.
16. **FBMS Reconciliation of Capitalized Costs.** The Labor, Controlling Objects/Project Systems, and Property Accounting Team is responsible for reconciling capitalized property and depreciation in the FBMS property module to the related balances in the FBMS finance module monthly. They perform the reconciliations at the asset (WBS) level in FBMS. They reconcile the accumulated depreciation at the GL level.
17. **Disposal of G-PP&E.**
- A. Various laws and regulations determine whether Reclamation has the authority to dispose of an asset and how Reclamation must dispose of the asset. Reclamation records the removal of the asset along with the associated depreciation in the period of disposal, retirement, or permanent removal from service.

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- B. The regional finance office is responsible for coordinating acquisitions and disposals of PP&E with regional property office or land resource groups. The regions process disposals of property in FBMS, except for disposals affecting the Federal Real Property Profile (FRPP), according to regional responsibilities. The Reclamation Property Policy Section, Real Property Disposal Coordinator is responsible for processing disposals that affect the FRPP, except for land. See [FIN 07-22](#) for information pertaining to land.
 - C. Reclamation calculates the gain or loss as the difference between the book value of the capitalized asset (original cost minus depreciation or amortization) and the amount realized, less any disposition costs. If the capitalized replacement replaces an existing asset that is currently recorded as part of the “main” asset, Reclamation estimates the cost of the original asset and the associated accumulated depreciation (e.g., using an inflation factor) and performs a partial retirement to the main asset. In general, FBMS records the disposition of G-PP&E in GL 7210.C0000 when the asset and associated depreciation are removed from the property and finance modules. Collections of proceeds from the disposition are recorded first in GL 7210.Y0000 as an offset to the total loss on the disposition transaction and then any remaining proceeds, if applicable, are recorded in GL 7110.Y0000 to record the net gain.
 - D. For information regarding suspended construction activities see [FIN 07-26](#). For information regarding impaired assets, see [FIN 07-27](#).
18. **Determination of the Beginning Balance of PP&E.** Reclamation activities can be traced back to the Reclamation Act of 1902, the initial legislation that established what is now known as the Bureau of Reclamation. This authority began the accumulation of more than 100 years of construction activity and associated costs. Most Reclamation construction activities date back to such an age that either documentation no longer exists, or the act of retrieving the associated documentation would not be cost effective. For purposes of establishing beginning balances under the estimation provisions of SFFAS 6 and TR 13, Reclamation relied on the historical cost accounting information it maintains in its cost subsidiary records for structures, buildings, and land. For financial statement reporting purposes, this historical cost accounting information is the support for the G-PP&E balances Reclamation presents.
19. **Related References.**
- A. [FIN 04-20](#), *Master Data and General Ledger (GL) Chart of Accounts*.
 - B. [FIN 06-32](#), *Interest on Investment (IOI)*.
 - C. [FIN 07-21](#), *Interest During Construction (IDC)*.
 - D. [FIN 07-22](#), *Land*.
 - E. [FIN 07-23](#), *Depreciation and Amortization*.

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- F. [FIN 07-24](#), *Assets under Construction (AUC)*.
 - G. [FIN 07-26](#), *Construction in Abeyance (CIA)*.
 - H. [FIN 07-27](#), *Accounting for the Partial Impairment of General Property, Plant, and Equipment (G-PP&E)*.
 - I. [FIN 07-32](#), *Computer Software Costs*.
 - J. [CMP TRMR-88](#), *Determination to Suspend an Authorized Construction Activity*.
 - K. [CMP 07-01](#), *Project Management*.
 - L. [FAC 01-05](#), *Completion of a Construction Activity*.
 - M. [FAC 03-02](#), *Construction Activities*.
 - N. [FAC 06-01](#), *Bureau of Reclamation Dam Safety Program*.
 - O. [Federal Replacements - Units, Service Lives](#), (Replacements Book).
20. **Definitions.**
- A. **Additions.** New, separate, physical assets or sub-assets that increase the capacity or operating efficiency of an existing asset.
 - B. **Assets Under Construction or AUC.** Also known as construction in progress or CIP. G-PP&E construction costs that meet the requirements for capitalization until the work is substantially complete, as defined in the project management plan.
 - C. **Betterment.** An improvement or upgrade of an existing asset that increases the size, capacity, or operating efficiency. A betterment may also extend the useful life of an asset.
 - D. **Capital Assets.** Capital assets include land, structures, equipment, and intellectual property (e.g., software) owned by the Federal Government that meet the capitalization criteria. Capital assets include not only the asset as initially acquired, but also all capitalized additions, betterments, and replacements. Capital assets include facilities for which Reclamation has transferred O&M responsibilities with Reclamation retaining the title, but do not include facilities for which Reclamation has transferred title to a non-Federal entity.
 - E. **Construction Activity.** Any activity to rehabilitate, renovate, or replace existing assets or to develop new assets. Construction activities are performed by Reclamation staff (i.e., force account work or in-house labor) or accomplished through a construction contract or force account work and include the procurement of equipment and materials that are to become a fixed part of Reclamation's facilities.

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- F. **Cost Share.** The contributions (monetary, in-kind, or both) provided by non-Federal entities or funding partners including work performed by non-Federal operating entities. Cost share is sometimes known as matching or matching funds.
- G. **Expenses.** Outflows or other using up of assets or incurrences of liabilities (or a combination of both) during a period of providing goods, rendering services, or carrying out other activities related to Reclamation's programs and missions, the benefits from which do not extend beyond the present operating period.
- H. **General Property, Plant, and Equipment or G-PP&E.** Any PP&E Reclamation uses to provide goods or services, and typically has one or more of the following characteristics:
- (1) used to produce goods or services, or to support Reclamation's mission although potentially useful for alternative purposes (e.g., by other Federal programs, state or local governments, or non-governmental entities);
 - (2) used in business-type activities; and/or
 - (3) used in activities whose costs are comparable to those of other entities performing similar activities.
- I. **Heritage Asset.** PP&E that is unique because of its historical or natural significance; cultural, educational, or artistic importance; or significant architectural characteristics.
- J. **Investigations and Development Costs.** Costs incurred in the collection of data and the preparation of plans, estimates, surveys, maps, general layouts, and reports in advance of construction for appraisal, feasibility, planning, and other general engineering and research.
- K. **Multi-Use Heritage Asset.** A heritage asset which serves two purposes where the predominant use of the asset is in the general government operations.
- L. **Property, Plant and Equipment or PP&E.** Tangible assets, including land; assets recognized as a result of leases and leasehold improvements; property Reclamation owns in the hands of others (e.g., state and local governments, colleges and universities, or Federal contractors); and land rights that meet the capitalization criteria in Paragraph 3.
- M. **Replacement.** The construction or installation of G-PP&E to replace an existing asset. Reclamation also uses the term to describe replacement of components of a capitalized asset in the O&M process.
- N. **Stewardship Land.** Land and land rights owned or controlled by Reclamation but not acquired for or in connection with items in Reclamation's G-PP&E. Reclamation's

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withdrawn land is stewardship land because it is public land previously managed by the Bureau of Land Management that has been legislatively and administratively withdrawn to Reclamation.

- O. **Useful Life.** The normal operating life of an asset in terms of utility to the owner.
21. **Review Period.** The originating office will review this release every 3 years.

RECLAMATION MANUAL TRANSMITTAL SHEET

Effective Date: _____

Release No. _____

Ensure all employees needing this information are provided a copy of this release.

Reclamation Manual Release Number and Subject

Summary of Changes

NOTE: This Reclamation Manual release applies to all Reclamation employees. When an exclusive bargaining unit exists, changes to this release may be subject to the provisions of collective bargaining agreements.

Filing instructions

Remove Sheets

Insert Sheets

All Reclamation Manual releases are available at <http://www.usbr.gov/recman/>

Filed by: _____

Date: _____