

Reclamation Manual

Directives and Standards

Subject:	Un-matured Receivables for Construction Repayment Contracts
Purpose:	Establishes the responsibilities and accounting procedures to record long-term un-matured accounts receivable for construction repayment contracts, produce billings for the repayment of construction costs, and reduce the balance of the un-matured receivables as the Bureau of Reclamation recognizes revenue. The benefit of this Reclamation Manual (RM) Directive and Standard (D&S) is to standardize the un-matured receivable process Reclamation-wide.
Authority:	Reclamation Project Act of 1939, as amended (Pub. L. 76-260; 53 Stat. 1187; 43 USC 485); Federal Water Project Recreation Act of 1965 (Pub. L. 89-72 ; 79 Stat. 213); Reclamation Reform Act of 1982 (Pub. L. 97-293 , Title II); Reclamation Safety of Dams Act Amendments of 1984 (Pub. L. 98-404; 98 Stat. 1481; 43 USC 508(c)); Water Infrastructure Improvements for the Nation Act of 2016 Sec. 3301 and Sec. 4011 (Pub. L. 114-322); Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 1 , <i>Accounting for Selected Assets and Liabilities</i> ; FASAB SFFAS 7 , <i>Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i>
Approving Official:	Director, Mission Support Organization
Contact:	Business Analysis Division, Compliance and Audit Team (84-27410)

1. **Introduction.** Reclamation enters into long-term repayment and water service contracts with non-Federal (public) water users to repay portions of the Federal investment allocated to the construction of reimbursable water facility projects (i.e., irrigation, municipal and industrial, and recreation and fish and wildlife enhancements covered by the Federal Water Project Recreation Act of 1965). The typical repayment period is 40 years (Section 9(c) of the Reclamation Project Act of 1939), but Congress may extend the repayment period. Reclamation establishes an un-matured receivable for the value of the unrecovered balance of the **repayment contracts** with an offsetting entry to deferred revenues from un-matured receivables (deferred revenues). When the annual payment is due, Reclamation reclassifies the amount due from un-matured receivables to accounts receivable and recognizes revenue including interest, if applicable. Reclamation treats un-matured receivables and deferred revenues as memo accounts. Reclamation does not report these accounts on the financial statements but does disclose them in the financial statement notes.
2. **Applicability.** This D&S applies to all Reclamation financial staff responsible for processing accounts receivable transactions related to construction repayment contracts. It does not apply to water service contracts or water settlement contracts.

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3. Definitions.

- A. **Accounts Receivable.** Current amounts due from others for goods furnished and services rendered. For purposes of Federal proprietary accounting, accounts receivable are assets which arise from specifically identifiable, legally enforceable claims to cash or other assets through established assessment processes or when providing goods or services.
- B. **Deferred Revenues from Un-matured Receivables or Deferred Revenues.** The total unbilled amount of Reclamation's construction repayment contracts.
- C. **Repayment Contract.** A water-related contract establishing terms for, among other things, the recovery of a share of reimbursable project costs, normally within a fixed period within a statutory maximum. Repayment contracts are authorized under general or project-specific legislation, or a combination of both. The contracting authority must be consulted for associated requirements.
- D. **Un-matured Receivable.** An accounts receivable for which Reclamation does not expect full payment quickly (usually within one accounting period or 1 year). Un-matured receivables are also referred to as non-current receivables.
- E. **Water Service Contracts.** Water service contracts, for the purpose of this D&S, are contracts with public entities based on water rates to recover costs of water delivery, operations and maintenance (O&M), construction repayment, and deficits. Water-related contracts provide project water at contractually established water rates pursuant to subsection 9(c)(2) or 9(e) of the Reclamation Project Act of 1939, Section 9 of the Water Conservation and Utilization Act, the Sale of Water for Miscellaneous Purposes Act of 1920, or other authority. Water service contracts are authorized under general or project-specific legislation, or a combination of both. The contracting authority must be consulted for associated requirements.

4. Responsibilities.

- A. **Finance and Accounting Division, Accounts Receivable and Reimbursable Accounting (ARRA) Personnel.** ARRA personnel are responsible for:
 - (1) processing applicable adjustments to the un-matured receivable for all repayment contract modifications;
 - (2) processing applicable transactions to reduce the un-matured receivable when Reclamation recognizes revenue; and
 - (3) processing collections for all regions except the California Great Basin Region.

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- B. Regional Finance Office Personnel.** The regional finance office personnel are responsible for:
- (1) establishing long-term un-matured receivables on construction repayment contracts (i.e., other than water service contracts);
 - (2) preparing and issuing bills pursuant to statutes and repayment contracts consummated with water organizations and individual water users;
 - (3) providing ARRA personnel with the document number tied to the un-matured receivable for processing;
 - (4) providing the appropriate commitment item for revenue recognition;
 - (5) providing reference text required for the posting of cash;
 - (6) recording the unfunded expense transactions when repayment contract customers perform O&M; and
 - (7) establishing internal controls to ensure un-matured receivable balances are accurate and agree with the deferred revenue balances.
- C. California Great Basin Regional Finance Office Personnel.** The California Great Basin regional finance office personnel are responsible for processing collections initiated by the formerly named Mid-Pacific Region.
- 5. Documentation.**
- A. Contract Files.** The regional finance office must permanently maintain a copy of all repayment contracts, in accordance with the Information Management Handbook Volume II Chapter 6, as documentary evidence for subsidiary lists.
- B. Bills.** The regional finance office must maintain one copy of each bill with the copy of the contract.
- 6. Un-matured Receivable Transactions.**
- A. Repayment Contracts.** Reclamation will enter repayment contracts covering construction (including safety of dams construction appropriations), or additions, replacements, and betterment work on Federally owned facilities in general ledger (GL) 1310.F0000, *Un-matured Receivables*, for the face amount of the contract. The unbilled balance of each repayment contract constitutes a subsidiary listing for GL 1310.F0000. The Cost Summary Report reflects this balance. Refer to Appendix A, Paragraph 2.A. for the applicable accounting entries.

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- B. Repayment Contract Adjustments.** ARRA personnel will adjust the un-matured receivable for all contract repayment obligation adjustments, e.g., the issuance of final cost notice or allocation.
- C. Incidental Revenues.**
- (1) Reclamation financial staff will post incidental revenues (grazing fees, timber sales, etc.) received from other than the repayment contract customers to Reclamation funds (XXXR50006x). Most incidental revenues are subject to tail-end or front-end credit for the repayment contract customer. Refer to RM Policy, *Incidental Revenues* ([PEC P03](#)) and RM D&S, *Crediting Requirements for Incidental Revenues* ([PEC 03-01](#)) for the revenues subject to crediting requirements.
 - (2) When legislation determines incidental revenues are front-end credits, Reclamation must apply the incidental revenues toward the repayment contract customer, reducing the outstanding un-matured receivable (GL 1310.F0000) and recognizing revenue against the repayment contract customer master record. Refer to Appendix A, Paragraph 2.B. for the applicable accounting entries. Entries must occur in the same month (preferably in the same day) to avoid a cash Statement of Difference with the Department of the Treasury.
 - (3) When legislation determines credits to the project resultant of incidental revenues are tail-end credits, Reclamation tracks those credits on its Statements of Project Construction Costs and Repayment (SPCCRs).
- D. Buyback.** When Reclamation purchases water from irrigation districts to meet flow needs, exchange of cash does not occur; however, the customer gets a credit against their repayment obligation. Refer to Appendix A, Paragraph 2.C. for the applicable accounting entries.
- E. Prepayment of Repayment Contracts (Early Payoff).**
- (1) An early payoff is paying the remaining balance of an un-matured receivable ahead of the repayment contract schedule. In accordance with the Reclamation Reform Act of 1982 ([Pub. L. 97-293](#), Title II), Congressional authorization is required before prepayment can be made on a repayment contract payout schedule, except in the case of repayment contracts in effect as of October 12, 1982, that contained language specifically authorizing lump sum or accelerated repayment by an individual or district. An early payoff also constitutes assigning the remaining balance of an un-matured receivable to a different customer who pays off the outstanding balance as part of the assignment.
 - (2) If the remaining balance of the repayment contract extends beyond the current fiscal year, ARRA personnel must record the collection as a deferred liability (GL

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2320.ARC00, *Deferred Credits Customer*) and draw it down annually based on the number of years remaining on the repayment contract. If the remaining balance of the un-matured receivable repayment contract is due in the current fiscal year and finalizes the repayment contract, ARRA personnel record the entire collection as revenue in the current fiscal year. Reclamation will draw down the deferred liability to revenue based on the original repayment contract schedule when the bill was due and revenue was recognizable. Refer to Appendix A, Paragraph 2.D. for the applicable accounting entries.

F. Repayment Contract Customer Performed O&M on Non-Reimbursable Components. When the repayment contract customer has responsibility for O&M on a multi-purpose project that includes a non-reimbursable component (i.e., flood control, fish and wildlife) and Reclamation is responsible for the O&M costs on the non-reimbursable component, Reclamation has two options to record the revenue and receivable transactions. The option used may vary depending on the contract terms and/or legislation language. The two options are:

- (1) Reclamation bills the repayment contract customer for the entire annual/semi-annual repayment amount and the repayment contract customer bills Reclamation for the O&M performed on non-reimbursable components.
- (2) Reclamation reduces the repayment contract customer's un-matured receivable and their annual/semi-annual repayment contract billing for the portion of the O&M performed during the fiscal year applicable to the non-reimbursable component. These O&M costs do not post to budgetary or cash GL accounts. Reclamation must record an *unfunded expense* for the O&M repayment contract customer performed O&M. If these O&M costs are Federal Real Property Profile relevant, the accounting string is a work order number. The offset to this unfunded expense is a donated revenue or an unfunded exchange revenue account posted to a work breakdown structure. The posting of the type of revenue is dependent upon the fund. Reclamation will post appropriated funds to the donated revenue account and all other funds to the unfunded exchange revenue account. Refer to Appendix A, Paragraph 2.E. for the applicable accounting entries.

7. Verification of GL 1310.F0000 Balance.

- A. Regional finance offices must maintain subsidiary records for the repayment contracts or prepare SPCCRs according to RM D&S, *Statement of Project Construction Cost and Repayment (SPCCR)* ([FIN 06-02](#)) for each project. The subsidiary ledger must record construction repayment obligations and revenue for each contract. The SPCCR must show the status of costs and repayments for each repayment contract.

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- B. When preparing an SPCCR, the regional accountants must reconcile Schedule E, Repayment Realized, and Schedule F, Anticipated Future Repayment, of the SPCCR to GL 1310.Fxxxx for Reclamation repayment contracts.
- C. The regional finance office must verify that the amounts in GL 1310.Fxxxx balance to the repayment contracts. In addition, the regional finance office must verify the balances in GL 1310.Fxxxx and GL 2990.B0000, *Deferred Revenues from Un-matured Accounts Receivable*, agree at the fund center, functional area, and fund levels during the fourth quarter. If the balances do not agree, the regional finance office must take corrective actions to ensure the two accounts are in balance for the end of the year.

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: _____