

Reclamation Manual

Directives and Standards



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

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To: Elizabeth Cordova-Harrison
Director, Management Services Office
Bureau of Reclamation

From: Douglas A. Glenn *D.A. Glenn*
Deputy Chief Financial Officer and Director
Office of Financial Management

Subject: Capitalization of Imputed Costs for Interest during Construction

The purpose of this memo is to notify you of the Office of Financial Management's (PFM) concurrence with the Bureau of Reclamation's (BOR) conclusion that BOR properly capitalizes imputed interest during construction (IDC) for its construction projects.

Statement of Federal Financial Accounting Standards 4, *Managerial Cost Accounting Standards and Concepts*, states that:

"Reporting entities should report the full costs of outputs in general purpose financial reports. The full cost of an output produced by a responsibility segment is the sum of (1) the costs of resources consumed by the segment that directly or indirectly contribute to the output, and (2) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity, and by other reporting entities".

The PFM agrees that the imputed interest cost from the Department of Treasury (Treasury) is a vital and integral part of BOR's operations or output since the nature of BOR's operations requires construction of significant Property Plant & Equipment, both in terms of scope and cost. Without significant funding from Treasury, and the interest they incur, such assets cannot be constructed. The PFM recognizes that BOR is required by law to recover the full costs from project beneficiaries through user fees. Through the repayment of project construction costs and associated interest by these project beneficiaries, BOR is also recovering the interest costs Treasury incurs in providing funding for their projects. The costs are thus imputed. The PFM agrees that BOR is correct to include the imputed IDC in capitalized costs of its project.

If you have questions regarding this memo, please contact Sherry Lee at (202) 219-4096 or via e-mail at Sherry.Lee@ios.doi.gov.