

BPA Policy 212-8

Accrual Basis of Accounting

Table of Contents

1. Purpose & Background	2
2. Policy Owner.....	3
3. Applicability	3
4. Terms & Definitions.....	3
5. Policy.....	4
6. Policy Exceptions.....	4
7. Responsibilities.....	4
8. Standards & Procedures	6
9. Performance & Monitoring.....	10
10. Authorities & References.....	11
11. Review	11
12. Revision History.....	11



1. Purpose & Background

This policy sets forth guidelines in which Accrual Accounting Generally Accepted Accounting Principles (GAAP) guidelines are considered when BPA enters into new purchase agreements or service contracts. The budgeting organization will submit accruals to General Accounting (FRG) to appropriately record the estimated amount in the relevant period until the invoice is processed/recorded by AP to enable effective budget management and compliant accounting practice by matching actual revenues with actual expenses regardless of when an invoice is received.

The Contracting Officer Representative (COR) must prepare monthly accruals as needed for all cumulative work performed from the last billed performance date through the end of the month, if the contract did not have a correlating invoice posted by Accounts Payable (AP) in the same month. CORs are responsible for managing and submitting expenditure accruals for 100% of their executing contracts in accordance with this policy and the [Bonneville Purchasing Instructions](#). This ensures that the monthly expenditures represent actual work performed. BPA is an Accrual based Accounting and Budget organization (per [BPA Policy 211-1 Budgeting by Accruals](#)), and expenditures must be recognized in the month and fiscal year as incurred/performed, not when cash is paid.

Accrual accounting records the financial effects of an entity, including transactions and other economic events and circumstances in the periods in which those transactions, events and circumstances occur, regardless of when the actual cash consequences are realized (payment or receipt of cash).¹ This is known as the matching principle, which requires an entity to align costs and revenues in the time period in which they occur and is essential for determining net revenues and if an entity is generating enough revenue to cover all expenses.

BPA reports financial results for the Federal Columbia River Power System (FCRPS) in accordance with GAAP in the United States of America. Accrual accounting is required under GAAP provisions for both cash and noncash transactions and is necessary in order to receive a “clean” (unqualified) audit opinion on the financial statements. Accrual transactions are recorded to accurately represent the financial position of the Federal Columbia River Power System (FCRPS) at a specific point in time to both internal and external audiences.

Accrual accounting also gives BPA executives, management, and business analysts a better view of revenue and expenditures incurred at a specific point during the fiscal year and facilitates improved real-time cost management and forecasting.

¹ Statement of Financial Accounting Concepts No. 6 (CON 6), paragraph 139.

Organization Finance (F)	Title Accrual Basis of Accounting	Unique ID 212-8		
Author Lisa Aaron (FRG)	Approved by Marcus Harris, CFO	Date 02/01/2022	Version 2.0	Page 2

2. Policy Owner

BPA’s Chief Financial Officer has overall responsibility for this policy and assigns responsibility for its implementation to BPA’s Accounting Officer.

3. Applicability

This policy applies to all revenues and expenditures for goods and services when cash is not received or paid in the same accounting period in which the revenues were earned or expenditures occurred.

4. Terms & Definitions

- A. **Accrual:** The basis whereby revenues and expenditures are recognized upon receipt of a good or service, regardless of when ordered or cash paid.
- B. **Asset:** Probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events.² Assets represent value of ownership that can be converted into cash over time.
- C. **Expenditure:** An outflow of assets during an accounting period for normal business activities. The outflow can be classified as either expense or capital expenditure, depending on whether the benefit relating to the transaction will be gained in the current period or future periods.
- D. **Financial Statements:** This includes the Balance Sheet, Statement of Revenue and Expenses and the Cash Flow Statement for the FCRPS. It also may include Statements of Revenue and Expenses for the Power and Transmission business units.
- E. **Liability:** Probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.³
- F. **Period:** One calendar month.
- G. **Revenue:** Income that an entity receives from delivering or producing goods, rendering services or other activities that constitute the entity’s ongoing major or central operations.⁴
- H. **Vendor:** An entity that supplies goods or services to a customer.

² CON 6, paragraph 25.

³ CON 6, paragraph 35.

⁴ CON 6, paragraph 78.

Organization Finance (F)	Title Accrual Basis of Accounting	Unique ID 212-8		
Author Lisa Aaron (FRG)	Approved by Marcus Harris, CFO	Date 02/01/2022	Version 2.0	Page 3

5. Policy

Transactions, events and circumstances that have financial impacts on BPA are recorded in the same period in which those transactions, events and circumstances occur, rather than when an invoice is received and processed, or cash is disbursed (following the matching principle, Revenues and Expenditures are recorded in the actual period in which they occur).

In order for an accrual to be recorded, all of the following criteria must be met:

- A. The event creating the obligation has already occurred (i.e., receipt of goods or services).
- B. Payment or receipt of payment is probable.
- C. The dollar amount can be reasonably estimated.

Accrual entries are submitted to [General Accounting \(FRG\)](#) with proper supporting details, for goods or services performed or received that result in an expenditure or revenue equal to or greater than \$25,000.

File retention period for Accrual support documentation is 6.25 years. The submitting organization is required to retain all accrual calculation source back up, internal/external emails, and approvals for 6.25 years in accordance with the [JGLM Agency File Plan for Finance](#) to support Commercial Audit procedures, under File Code FI-11 Journal Vouchers (Retention Schedule GRS7/2). The Accrual support must be robust enough for a third party to recalculate the accrual independently.

6. Policy Exceptions

There are no exceptions to this policy.

7. Responsibilities

- A. **BPA's Chief Financial Officer:** Delegated the authority by the Administrator to provide, on a BPA-wide basis, those financial management systems, policies, and procedures deemed necessary to keep complete and accurate accounts of operations, including all funds expended and received in connection with the acquisition, transmission, and sale of electric energy and other BPA services.
- B. **The Accounting Officer:** Establishes accounting policy, provides technical accounting guidance, and relevant training to ensure that records of financial transactions are consistent with established policies.
- C. **Organizational Vice Presidents, Chief Officers, and Executive Vice Presidents:** Provide oversight over their business to ensure the organization is aware of and is following this policy. Ensuring operational procedures and practices are effective in managing and conforming to established BPA policies.

Organization Finance (F)	Title Accrual Basis of Accounting	Unique ID 212-8		
Author Lisa Aaron (FRG)	Approved by Marcus Harris, CFO	Date 02/01/2022	Version 2.0	Page 4

- D. **Accounting and Reporting Managers:** Provide functional guidance and oversight of BPA’s financial management systems and establish BPA and FCRPS requirements and reporting mechanisms to ensure internal controls are adequate and that BPA is in compliance with applicable laws, regulations, and internal directives.
- E. **Managers:** Are responsible for ensuring the performance of all actions required for effective management of accrued expenditures and invoiced actuals within their department/organization/program levels. They are accountable for the financial impact of the accruals on their financials and budgets (amounts and other data elements which have a financial statement impact such as Cost Center/Department, Account, Business Unit, Amount, etc.) that are submitted by delegates to General Accounting each period. Managers are responsible for reviewing and approving the financial amounts accrued by their departments, and maintain evidence of this approval. Managers must also ensure that they or their delegates retain all documentation supporting the accruals recognized in the FCRPS financial statements for 6.25 years (per file retention policy stated above). When solicited by external auditors or internal personnel for accrual documentation and calculation back up, managers and their delegates/Contracting Officers Representatives are expected to support the accuracy and timeliness of their accruals, and may expect inquiries at year-end and ad hoc through-out the year.
- F. **Contracting Officer (CO):** The CO is responsible for ensuring that CORs are adequately monitoring and managing expenditure accrual schedules and submissions for 100% of their executing contracts.
- G. **Contracting Officers Representative (COR):** Responsible for managing and submitting expenditure accruals for 100% of their executing contracts in accordance with this policy and the Bonneville Purchasing Instructions. The COR must prepare monthly accruals as needed for all work performed through the end of the month if the contract did not have a correlating invoice posted by AP in the relevant reporting period. In conjunction with monitoring the performance and cost schedule of the contract, the COR must maintain an accrual forecast schedule that is used to determine the necessity of an accrual (or re-accrual), the accrual amount, as well as monitor the accrual and invoice performance to validate original accrual assumptions. CORs must provide the business line or operational analyst with all accrual details for quality assurance reviews and final submission to General Accounting.
- H. **Financial/Budget Analysts:** The Business Line or Operational Analysts are responsible for submitting accruals as provided by the COR, or as identified within their organization. The Analyst will compile all accrual submission from CORs, review for accuracy and reasonableness, obtain approvals, and then submit the accrual to General Accounting for processing. After receiving notification from General Accounting that the accrual has been processed, the analyst should monitor the actual expenditure results to ensure an amount was not double booked between AP processing and the accrual.

Organization Finance (F)		Title Accrual Basis of Accounting		Unique ID 212-8	
Author Lisa Aaron (FRG)		Approved by Marcus Harris, CFO	Date 02/01/2022	Version 2.0	Page 5

Any discrepancies should be reviewed with the manager/supervisor and communicated to General Accounting for correction if needed.

- I. **Accountants:** Quality check and process all accruals (via centralized processing) related to Payroll, Contracts, Power, Transmission, and Inventory.
- J. **BPA Staff and Subject Matter Experts (SMEs):** Must be familiar with and follow this policy.

8. Standards & Procedures

General/Contract Accruals:

Accruals are recorded when the bills/vouchers or receipts have not been entered into the financial system for cumulative work performed through the current month end. Accrued expenditures can be either Capital or Expense. CORs must regularly update the contract cost schedule/accrual forecast at least quarterly, and/or work with vendors and/or project managers in order to quantify the amount of unbilled work when necessary. The accrual requirement applies to each contract/release. If a business line will be billed/invoiced for goods or services and Accounts Payable (AP) has not processed the invoice, then an accrual must be submitted to General Accounting if each individual instance is \geq \$25,000. Journal entry processing is centralized at BPA, so that General Accounting posts 100% of the accruals on behalf of all BPA business lines to accrued expenditure account 232007. The financial results of the accrual are the responsibility of the business lines, and they are expected to monitor their invoice actuals and maintain accrual watch lists for 100% of their contracts and purchases.

This policy also applies to revenue receipts. If a department is expecting a cash receipt from a transaction for a particular period, then the revenue will also need to be manually accrued in that period if not received or processed.

Unprocessed prepayments must also be accrued for the elapsed service period until the Prepaid Asset has been established (see [BPA Policy 212-3, Prepaid Expense](#)).

Accrual transaction lines are submitted to General Accounting (acctops@bpa.gov) using the official accrual form (also known as Accrual Submission Template). The [Accrual Submission Template](#) is located on the BPA General Accounting SharePoint Site, also known as [General Accounting Homepage](#). The first 17 columns of the template are uploaded into PeopleSoft Financial Management Systems (PFMS). The remaining columns are used for audit trail back-up. All fields must be populated prior to submission.

Once an accrual has been submitted, it must be resubmitted to [General Accounting](#) every month until the invoice has been processed (General Accounting will post the reversal on the 1st day of the subsequent month). The re-accrual should be cumulative of new work performed since the last accrual should that be the case. This is the responsibility of the submitter; General Accounting does not monitor contracts for new invoicing nor updates to the accrued forecast amounts.

Organization Finance (F)		Title Accrual Basis of Accounting		Unique ID 212-8	
Author Lisa Aaron (FRG)	Approved by Marcus Harris, CFO	Date 02/01/2022	Version 2.0	Page 6	

Adequate documentation is required to support accruals and should be comprised of all support that was used to calculate the accrual. Examples of adequate documentation include approvals, original contracts, copies of invoices or estimates received from a vendor, email correspondence with the vendor, or reports from a contracting office showing actual costs incurred that have not been invoiced (essentially all input into the calculation of the accrual which must be robust enough for a third party to recalculate the accrual independently.)

Unless other deadlines are provided, accruals are submitted to General Accounting by the third to last business day of the month. If a situation occurs in which an accrual has been submitted to General Accounting, an invoice or product is received before the end of the month, and the invoice is sent to Accounts Payable, contact General Accounting. They can remove the accrual so the expenditure is not double booked. General Accounting provides Quarterly Close memorandums which contains key due dates, processing cutoff dates, deadlines, and instructions via quarterly emails to business lines at quarter-end and are available on [SharePoint](#).

BPA's [Accrual Reference Guide](#) is available on the BPA General Accounting SharePoint site and provides detailed accrual explanations, accrual forecast methodologies, and examples. General Accounting also hosts a quarterly Accruals and Prepaids training course under HRMIS ID 015144.

Purchase Card Accruals:

Every quarter, General Accounting will accrue for Purchase Card (P-Card) transactions that have not yet been uploaded into Asset Suite or recorded in PFMS (transactions are loaded in Asset Suite by IT on the 4th of every month for prior month transactions). The General Accountant will pull a query of purchase transactions directly from the bank portal for a specified date range. This transaction listing is distributed to analysts (or cardholders if needed) on the 5th to last business day of the quarter. Analysts are required to remit the accounting details supporting each transaction by the close of business on the 2nd to last business day of the quarter. The General Accountant will consolidate all of the accounting details received from analysts (or cardholders) into one entry for processing. All transactions are posted to the Tier 2 department unless otherwise directed during the solicitation for accounting details. All P-Card purchase accruals submitted directly to General Accounting should be provided separately from all other accruals, so that the transaction can be vetted against the existing population (as described above) to ensure transactions are not double booked.

Inventory Accruals:

Unvouchered Liability Accrual – FRP Centrally Processed

Every month, Plant Accounting will accrue for purchase order (PO) items received and not processed/vouchered. An automated Asset Suite report is generated and sent to the Plant Accounting Inventory Accountant every month for analysis and journal entry preparation (also known as the Asset Suite Unvouchered Liability report). This report details inventory purchase

Organization Finance (F)		Title Accrual Basis of Accounting		Unique ID 212-8	
Author Lisa Aaron (FRG)	Approved by Marcus Harris, CFO	Date 02/01/2022	Version 2.0	Page 7	

orders that are in either a complete or open status (signifying materials are received but not vouchered and, therefore, are not captured in PFMS inventory balances). Two reports are needed to calculate the amount of the accrual: the Unvouchered Liability report from Asset Suite as mentioned, and the Unvouchered Liability report from Power BI detailing items in mismatch status (inventory balance variances from original PO). The Inventory Accountant calculates the total Unvouchered Liability from the Asset Suite Unvouchered Liability report based on stock type. Items from the Power BI report are checked and verified against the Asset Suite report to ensure that there are no material (greater than \$25,000) duplicates. The Inventory Accountant only records accrual for stock type S (Safety Stock Inventory) and N (Non-Stock Project Inventory) items since stock type D items have a different accrual process (see Direct Charge Inventory Accrual below). The Unvouchered Liability is calculated monthly for stock types S and N but accrued quarterly by the inventory accountant without any requests from analysts. The accrual debits the appropriate 154XXX account and credits the 252050 account.

Direct Charge Accrual

Unlike stock type S and N, when stock type D (Direct Project Materials) items are received, they are immediately charged to the project so the Inventory Accountant does not automatically accrue for stock type D items. Instead the Inventory Accountant relies on requests from project analysts to create the direct charge accrual. If a direct charge request is sent to the inventory accountant, they check the PO to verify that items have been received but not invoiced or processed and that it has not already been charged to project. The qualifying POs are accrued manually to the project by debiting the project and crediting 252050. The direct charge accrual is recorded on a quarterly basis.

Power Purchase and Residential Exchange Program (REP) Accruals:

Every month, unvouchered Power Purchase (expense) accruals are prepared and provided to General Accounting by various groups in Power. An additional REP schedule is provided to General Accounting annually by the Power Rates (PSR) group and is accrued and reconciled on a schedule. Accrual amounts can be based on previous year’s performance or projections and contracts; any variances between forecast and actuals are reconciled and corrected. Prior to month-end, General Accounting verifies if a payment and/or bill was received and processed to the contract. If not, General Accounting will re-accrue the purchase expense.

Purchase Power Control Account (232009)

This account is used as a control account for clearing purchase power liabilities. It is primarily used to ensure that the required information, such as invoice number, date, customer number, performance period, Product code, contract, unit amount, quantity purchased, and measurement of units is loaded into the billing module in PFMS. This gives BPA an appropriate level of detail in its financial information. An invoice is submitted and recorded by Accounts Payable, and various groups in Power (Bulk Marketing and Generating Asset Management groups). The invoice transactions create a debit or credit balance in 232009. A spreadsheet is submitted to General

Organization Finance (F)		Title Accrual Basis of Accounting		Unique ID 212-8	
Author Lisa Aaron (FRG)	Approved by Marcus Harris, CFO	Date 02/01/2022	Version 2.0	Page 8	

Accounting by the owning Power organization to process and record the expense and Accounts Receivable in order to clear/offset the 232009 account.

Power and Transmission Revenue Accruals:

Transmission

The Transmission Revenue Accrual is provided by the Transmission Commercial Business Rates and Revenue (TSQR) group in an Excel format and uploaded via an automated process versus a manual journal entry. The accrual workbook is saved to a folder on a network drive by the TSQR Analyst for system upload. The automated Extract, Transform and Load (ETL) process moves the accrual file to a temporary table in PFMS. Once the data is temporarily staged for posting, General Accounting pulls the data and sends the results back to the TSQR Analyst for additional validation and correction (if needed) prior to final posting in order to eliminate the risk of time-consuming efforts to fix errors in the table later. After the data is validated, it is pushed to the final staging table (commonly known as the Accrual Interface or AI table) and posted by General Accounting. The financial results are then re-validated in PFMS by General Accounting to ensure data system quality after posting, to confirm the results in accounts 173001 (Accrued Revenue) and 400001 (Revenue). TSQR reviews the financial results for accuracy.

Power

The Power Revenue Accruals are generated by several Power departments as well as a system-generated report. Two Power Revenue Accrual spreadsheets are provided by the Power SME in the Power Planning and Forecasting group (PSRF) and by the Bulk Marketing Contract Support and California Independent System Operator (CAISO) Settlements team (PTC). The final revenue accrual spreadsheet is received via automated email on the 1st day of the month by the Energy Trading Risk Management (ETRM) system. The General Accountant validates formatting and saves all accrual spreadsheets into a network drive folder. The three spreadsheets are loaded to a temporary table in PFMS. The aggregate of the data in the temporary table is queried by General Accounting and sent to the Power SMEs for validation and correction if needed. After the data is validated on the temporary table, it is then pushed to the final AI table and then posted by General Accounting. The financial results in accounts 173001 (Accrued Revenue) and 400001 (Revenue) are validated and reviewed in PFMS by General Accounting to ensure data systems quality. The Power business lines review the financial results for accuracy.

Payroll Accrual:

Each month, General Accounting accrues for interim paydays by calculating the payroll expenses applicable to the portion of the reporting period. This amount will be processed by payroll in the subsequent reporting period based on pay dates. Wages, benefits and leave expense are all combined in the 107111, 108111 and 600111 accounts.

Organization Finance (F)		Title Accrual Basis of Accounting		Unique ID 212-8	
Author Lisa Aaron (FRG)	Approved by Marcus Harris, CFO	Date 02/01/2022	Version 2.0	Page 9	

The accrual amount is derived from taking an average of the total cash disbursements for the last three pay periods and the number of days that are being accrued. The payroll accrual cost distribution is prorated and allocated to each accounting string based on the most recent payroll included in that reporting period. Any unusual cash disbursements, such as awards payouts, are removed from the calculation.

At year-end, a validation is performed by comparing the year-end payroll accrual to the first payroll processed in the new fiscal year to ensure that the year-end payroll accrual is a reasonable estimation of the time period accrued.

Supplemental Labor Accrual:

Each month General Accounting calculates an accrual of the Supplemental Labor contract expense applicable to the portion of the reporting period that will be included in the subsequent Supplemental Labor vendor invoices to be received in the following month.

The cost is derived from taking the most recent Supplemental Labor vendor invoices (which correspond with the most recent payroll included in that reporting period) and the number of days being accrued. The contract labor cost distribution is prorated and allocated to each accounting string based on the most recent invoices included in that reporting period.

Nonfederal Interest and Operations & Maintenance (O&M) Power Accruals:

Every month, General Accounting posts nonfederal debt interest expense accruals based on the budgeted Interest payment provided by Energy Northwest’s (EN) Annual Budget and correlating forecast as maintained by the Debt and Liquidity Finance group (FTL) for Energy Northwest and Nonfederal Projects (Lewis County PUD/Cowlitz and Northern Wasco). O&M expense is accrued for Energy Northwest, Eugene Water and Electric Board (EWEB) (Trojan/Independent Spent Fuel Storage Installation (ISFSI)) based on their annual fiscal year budgets. In both cases, the expenses are accrued to an accrued liability account until a cash payment has been made.

9. Performance & Monitoring

Please see Green Book narratives for compliance with this policy:

- 6.A.2.a) Accruals - Contracts
- 6.A.2.b) Accruals - Revenue
- 6.A.2.c) Accruals - Power Purchases

Contracts:

Upon every submission, for Asset Suite-managed contracts General Accounting compares the accrued amount to the remaining contract balances, ensuring that accrued amounts do not exceed the face value of the contract, while validating the accuracy of the contract number to ensure data integrity in the Enterprise Performance Management (EPM) Data Warehouse.

Organization Finance (F)		Title Accrual Basis of Accounting		Unique ID 212-8	
Author Lisa Aaron (FRG)	Approved by Marcus Harris, CFO	Date 02/01/2022	Version 2.0	Page 10	

Every quarter (on a 1-quarter lag) General Accounting performs an accrual accuracy and completeness check by analyzing accruals submitted and comparing them to payments recorded. General Accounting reviews for variances between accrued amounts and payments to ensure compliance and follows up with departments that experience material variances over our accrual threshold of \$25,000 to ensure the COR is properly monitoring the contract for future accrual (also known as the backcasting process).

Every quarter-end, once all contract accruals have been processed, General Accounting performs a review of an Asset Suite-sourced report that details open Contract Purchase Authorizations (CPAs). All CPAs in a non-Closed status indicate that there is an in-process invoice that has not been recorded by AP. General Accounting will compare the CPA's contract number and release to a report of accruals queried out of PFMS. CPAs that do not have a correlating contract accrual present will be vetted for accrual by General Accounting and AP using the accounting available on the contract in Asset Suite. Accrual amounts will also be vetted for duplicate accruals (looking at a pivot table for multiple journal entries against one contract/release). Amounts will also be vetted for prepayments by looking for costing assigned to account 165050 and comparing the list of CPAs' Contract and Release numbers to the Prepaid Master list in order to remove prepayments. Accrual notifications and communications will be sent to the relevant COR on the contract and the department's supervisor.

10. Authorities & References

- A. BPA is required to complete a commercial type audit in accordance with Section 9(a) of the Bonneville Project Act of 1937 and subsequent acts.
- B. Statement of Financial Accounting Concepts No. 6 (CON 6), paragraphs 134-152.
- C. FASB ASC Topic 405, Liabilities.

11. Review

This policy is scheduled for review in February 2027.

12. Revision History

Version Number	Issue Date	Brief Description of Change or Review
1.0	4/12/2017	Initial publication. Effective date is 4/7/2017.
2.0	2/1/2022	Updated for Section 8 for scope and clarity. Updated Section 9 for additional monitoring procedures.

Organization Finance (F)		Title Accrual Basis of Accounting		Unique ID 212-8	
Author Lisa Aaron (FRG)		Approved by Marcus Harris, CFO		Date 02/01/2022	
				Version 2.0	
				Page 11	