

BPA Policy 212-8

Accrual Basis of Accounting

Table of Contents

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

1. Purpose & Background

Accrual accounting records the financial effects of an entity, including transactions and other events and circumstances in the periods in which those transactions, events and circumstances occur, regardless of when the cash consequences are realized (payment or receipt of cash).¹ This is known as the matching principle, 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 generally accepted accounting principles (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 BPA at a specific point in time to both internal and external audiences.

Accrual accounting also enables effective budget management by matching revenue and expenditures in the time period in which they are incurred, rather than when cash is disbursed or received. This 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.

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.

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

² CON 6, paragraph 25.

Organization Finance - F	Title Accrual Basis of Accounting Policy	Unique ID 212-8		
Author A. Naef	Approved by CFO – J. Fernandez	Date 4/7/2017	Version 1.0	Page 2

- 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.

5. Policy

Transactions, events and circumstances that have financial impacts on BPA are recorded in the period in which those transactions, events and circumstances occur, rather than when an invoice is received or cash is disbursed. Accrual amounts with supporting details are submitted to General Accounting (FRG) by program offices on a monthly basis for goods or services performed or received that result in an expenditure equal to or greater than \$25,000.

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.

6. Policy Exceptions

None.

³ CON 6, paragraph 35.

⁴ CON 6, paragraph 78.

Organization Finance - F		Title Accrual Basis of Accounting Policy		Unique ID 212-8	
Author A. Naef		Approved by CFO - J. Fernandez	Date 4/7/2017	Version 1.0	Page 3

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. **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.
- D. **BPA Staff and Subject Matter Experts:** Following this policy.

8. Standards & Procedures

Accrual transactions are submitted to FRG (acctops@bpa.gov) on a monthly basis using the official accrual form. This accrual form is located on the BPA General Accounting SharePoint site under “Closing Memos and Accrual Upload Worksheets” (<https://finance.bud.bpa.gov/FR/FRG/default.aspx>).

Accruals are submitted to FRG by the third to last business day of the month. If an accrual has been submitted to FRG and an invoice or product is received before the end of the month and the invoice is sent to Accounts Payable, contact FRG and they can remove the accrual so the expenditure is not double booked.

Accruals are recorded when the bills or vouchers have not been entered into the financial system and the goods or services are greater than \$25,000. The accrual requirement applies to each contract/release.

BPA’s “Accrual Reference Guide” is available on the BPA General Accounting SharePoint site and provides detailed accrual explanations and examples.

Adequate documentation is required to support accruals. Examples of adequate documentation include copies of invoices or estimates received from a vendor or reports from a contracting office showing actual costs incurred that have not been invoiced.

Organization Finance - F		Title Accrual Basis of Accounting Policy		Unique ID 212-8	
Author A. Naef	Approved by CFO – J. Fernandez	Date 4/7/2017	Version 1.0	Page 4	

9. Performance & Monitoring

Please see A-123 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

Every quarter General Accounting performs an accrual accuracy check by analyzing accruals submitted and comparing them to payments recorded. FRG reviews for variances between accrued amounts and payments to ensure compliance and follows up with departments that experience large variances.

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. ASC 405 Liabilities.

11. Review

This policy is scheduled for review in June 2021.

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.

Organization Finance - F	Title Accrual Basis of Accounting Policy	Unique ID 212-8		
Author A. Naef	Approved by CFO – J. Fernandez	Date 4/7/2017	Version 1.0	Page 5