

# Reclamation Manual

Directives and Standards

## **TEMPORARY RELEASE**

*(Expires 07/21/2017)*

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<b>Subject:</b>	General Property, Plant, and Equipment (G-PP&E)
<b>Purpose:</b>	To establish the requirements and procedures for valuation and accounting for investment in G-PP&E held for operating purposes. The benefit of this Temporary Reclamation Manual Release (TRMR) is to provide guidance to properly record and value G-PP&E in accordance with generally accepted accounting principles (GAAP).
<b>Authority:</b>	Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards ( <a href="#">SFFAS 6</a> , <i>Accounting for Property, Plant, and Equipment</i> ; FASAB <a href="#">SFFAS 29</a> , <i>Heritage Assets and Stewardship Land</i> ; FASAB <a href="#">SFFAS 35</a> , <i>Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Financial Accounting Standards 6 and 23</i> ; FASAB <a href="#">SFFAS 44</a> , <i>Accounting for Impairment of General Property, Plant and Equipment Remaining in Use</i> ; FASAB Technical Release ( <a href="#">TR 13</a> , <i>Implementation Guide for Estimating the Historical Cost of General Property, Plant, and Equipment</i> ; FASAB <a href="#">TR 14</a> , <i>Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment</i>
<b>Approving Official:</b>	Director, Management Services Office
<b>Contact:</b>	Business Analysis Division (BAD), Compliance and Audit Team (84-27410)

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1. **Introduction.** The Bureau of Reclamation classifies its Property, Plant, and Equipment (PP&E) as G-PP&E, stewardship land, or heritage assets in accordance with SFFAS 6, SFFAS 29, SFFAS 44, TR 13, and TR 14. Reclamation's G-PP&E includes land, assets under construction (AUC), construction in abeyance (CIA), buildings, other structures and facilities, data processing software, and equipment. Reclamation uses G-PP&E to provide goods and services in the marketplace, similar to a business-type entity. To fulfill its mission, Reclamation provides water conveyance, power generation, and recreation; which are all marketable items and meet the criteria for business-like transactions.
2. **Applicability.** This TRMR applies to all Reclamation employees involved in managing, overseeing, or recording financial transactions for G-PP&E.
3. **Definitions.**
  - A. **Capital Assets.** Land, structures, equipment, intellectual property (e.g., software), and information technology (including information technology service contracts) that have an estimated useful life of 2 years or more and for which the Federal Government holds

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title or holds title in trust. Capital assets include dams, power plants, and other water resources facilities. Capital assets include not only the asset as initially acquired but also costs meeting the criteria for classification as additions, betterments, and replacements. Capital assets do not include facilities of water projects for which Reclamation has transferred title to a non-Federal entity.

- B. **Capitalization Threshold.** The value at which a reporting entity capitalizes G-PP&E. Reclamation's established threshold is zero. See Bureau of Reclamation Capitalization Threshold memorandum dated September 28, 2004, for the justification of the zero threshold in Appendix A.
- C. **Capitalized Costs.** All cost incurred to bring a capital asset to a form and location suitable for its intended use.
- D. **Construction Activity (also known as Project).** For the purposes of this TRMR, any non-recurring activity to develop new features or assets, or rehabilitate, renovate, or replace existing assets. A construction activity meets the definition of a project
- E. **Construction Costs.** If costs for the work Reclamation performs will result in a capital asset when construction is complete, then they are construction costs. Construction costs include labor, construction equipment, materials, supplies, installed equipment, land and water rights, and engineering and related services that contribute to the original value of the constructed asset. Reclamation will use the [Replacements - Units, Service Lives, Factors](#), as the primary source to determine the unit of property or unit of maintenance. Refer to the capitalization flowchart in Appendix A to assist in the determination of capitalization.
- F. **G-PP&E.** Any PP&E the reporting entity 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 the entity'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 (e.g., Federal hospital services in comparison to other hospitals).
- G. **Heritage Asset.** PP&E that is unique because of its historical or natural significance; cultural, educational, or artistic importance; or significant architectural characteristics.

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- H. **Intangible Asset.** An identifiable non-monetary asset without physical substance. Some examples of Reclamation's intangible assets include power rights, settler's assistance costs, and future year's capacity provisions.
- I. **Investigations/Study Costs.** Normally incurred as general investigation work, for example to provide start-up analysis and reports.
- J. **Operating Expenses.** Outflows or other using up of assets or incurrences of liabilities (or a combination of both) during a period of providing goods, and rendering services, or carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period.
- K. **PP&E.** Tangible assets, including land; assets acquired through capital leases, including leasehold improvements; property the reporting entity owns in the hands of others (e.g., state and local governments, colleges and universities, or Federal contractors); and land rights that meet the following criteria:
- (1) have an estimated useful life of 2 years or more;
  - (2) the reporting entity does not intend to sell in the ordinary course of operations; and
  - (3) the reporting entity acquired or constructed with the intention of use, or being available for use by the entity.
- L. **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 withdrawn land is stewardship land.
- M. **Tangible Asset.** An asset that has a physical existence; such as cash, equipment, buildings, structures, and land. The Federal Replacements-Units, Service Lives, Factors (Replacements Book) refers to tangible assets as a unit of property.
4. **Responsibilities.**
- A. **Regional Finance Officer.** Regional finance officers are responsible for:
- (1) the proper accounting for the capitalized value of assets and for properly recording operating expenses in accordance with GAAP requirements;
  - (2) ensuring compliance with laws and regulations related to repayment, cost allocation, and recovery of interest expense;

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- (3) implementing policy and ensuring adequate procedures and controls are in place to ensure accurate and timely reporting of costs;
- (4) referring a PP&E accounting issue to BAD for an interpretation of GAAP (e.g., expense vs. capitalization) prior to making any accounting entries; and
- (5) recording non-Federal partner's cost share data on cost share agreements;

B. **Project Manager.** The project manager is responsible for providing the non-Federal partner's cost share data to the regional finance office.

C. **BAD.** BAD is responsible for:

- (1) developing guidance and procedures to account for PP&E including depreciation of same;
- (2) oversight, to ensure that established policy and procedures are in place and adhered to;
- (3) financial statement reporting and disclosures; and
- (4) upon request from a region, performing research and providing guidance/interpretation of the capitalization criteria, FASAB accounting standards, and GAAP.

## 5. Operating Expenses.

- A. Generally, Reclamation must record costs incurred for a program's administration; costs incurred for such activities as environmental studies or reviews that do not provide future benefit to a Federal-titled asset; and costs not directly related to the costs incurred to bring an asset to a form and location suitable for its intended use, as an operating expense (General Ledger (GL) 6100.xxxxx through 6850.00000) in the current accounting period. If Reclamation incurs costs to construct a non-Federally owned capital asset, Reclamation must expense the cost in the period incurred (GL 6900.xxxxx).
- B. Reclamation must expense, in the current accounting period, the cost it incurs from an activity that is not directly construction-related (such as investigations, surveys, wildlife relocation, or wildlife studies) prior to the decision to pursue construction of a Federal-owned asset or prior to construction authorization.

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#### 6. Capitalized Costs.

A. Reclamation records capitalized G-PP&E at full cost. 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 a reporting entity 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, and other outside services for 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
- (12) material amounts of interest costs paid.

B. Reclamation-specific costs it also records in the GL 1720.CIP00 account are:

- (1) interest during construction (see Reclamation Manual (RM) D&S, *Interest During Construction* ([FIN 07-21](#)));

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- (2) certain post-authorization or post-decisional investigation or study 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, *Plant Accounting - Land* ([FIN 07-22](#)) for requirements regarding permanent or perpetual easements).
7. **Dam Safety Program.** The Dam Safety Program has its own unique criteria for determining when to begin capitalizing costs and for determining what costs to capitalize. Refer to RM D&S, *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, 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 performance monitoring, examinations, analyses, field data investigations, and technical studies and development activities. These activities investigate and assess public safety risks associated with dam safety issues to determine if they warrant SOD corrective actions. The expenditures for activities Reclamation performs in the SEED sub-task are non-reimbursable. These activities benefit the general public, are not program costs, and Reclamation expenses them in the accounting records.
    - (2) **Initiate SOD Corrective Action (ISCA).** The ISCA sub-task provides the funding for SOD modifications. Included are project formulation, approval, preconstruction, and construction activities on Reclamation's dams having identified safety issues.
      - (a) The work Reclamation performs under this sub-task meets the intent and purpose of a major repair or an improvement in that:
        - (i) The costs Reclamation incurs are one-time extraordinary expenditures.
        - (ii) The modified or new structure will result in a substitution of a better asset.

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- (iii) The intent is to increase the future service potential of the asset by allowing it to function normally rather than possibly operating a reduced capacity due to safety restrictions.
      - (iv) The work will benefit several accounting periods.
    - (b) 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). Reclamation also capitalizes environmental or species mitigation expenditures, land or permanent land right acquisition expenditures, or other co-lateral expenditures for work related to modification or construction activity.
  - (3) **SOD Corrective Action Studies.** The SOD Corrective Action Studies sub-tasks include program management, studies, and support activities for SOD corrective action issues. These activities are non-reimbursable under the 1978 Safety of Dams Act.
    - (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(s).
  - B. **Department of the Interior Dam Safety Program.** The Department of the Interior 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.
8. **Analysis of Capitalized Costs.**
- A. Where Reclamation incurs costs of an activity directly attributable to acquiring, constructing, enhancing, improving, or extending the life of a Federally owned asset, it must capitalize those, when it has incurred them after the decision to pursue construction or after actual construction authorization. Reclamation will use the Replacements Book as the primary source to identify the asset as a unit of property or a unit of maintenance. Refer to the capitalization flowchart in RM TRMR, *Assets Under Construction (AUC)* (FIN TRMR-92, Appendix A) to assist in the determination of capitalization.
  - B. For example, Reclamation must capitalize costs for goods and services, such as engineering and supervision, labor, materials, and supplies, that are directly attributable

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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).

- C. If Reclamation incurs the cost of an activity not directly construction-related (such as investigations, surveys, wildlife relocation, or wildlife studies) after the decision to pursue construction (post-decisional) of a Federally-owned asset or after construction authorization (post-authorization) and the activity is clearly attributable to that asset, Reclamation must capitalize the cost.
- D. Reclamation must capitalize costs for other activities, such as environmental studies and wetlands development, if they are clearly attributable to pre-construction, construction, or acquisition of a Federally owned asset, and if it incurs them after the decision to pursue construction (post-decisional) or after actual construction authorization (post-authorization).
- E. Reclamation must make the decision to capitalize or expense costs before establishing the Work Breakdown Structure (WBS). Refer to RM D&S, *Standard General Ledger (SGL) Chart of Accounts* ([FIN 04-20](#)) for the requirements to establish a WBS.

#### 9. Treatment of Capital Costs.

- A. Reclamation will first record costs it incurs to bring a Federally owned asset to a form and location suitable for its intended use in operating expense GL accounts and settle them to AUC (GL 1720.CIP00). Reclamation will record the costs of land in GL 1711.321A0, and land rights and easements attributable to land in in GL 1711.321E0. At least quarterly, in accordance with FIN TRMR-92, the project manager in conjunction with the regional finance office must perform an analysis to verify the recorded costs and determine the status of any construction activity. If a construction activity meets the criteria for being substantially complete the project manager will initiate the Transfer to Operation and Maintenance (O&M) Status process. Refer to RM TRMR, *Transfer of Operation and Maintenance (O&M) Responsibility of Project Works* ([FAC TRMR-90](#)) for the requirements to determine a construction activity as substantially complete. For substantially completed construction, Reclamation will transfer the balance in accordance with FIN TRMR-92 to the appropriate completed plant GL account as follows:
  - (1) **GL 1730.323C0, Capital Buildings, Improvements, and Renovations.** Cost of Federally-owned buildings under Reclamation's control, acquired for and used in providing Federal services or goods.



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- (2) **GL 1740.322D0, Capitalized Dams-Constructed.** Cost or appraised value of constructed dams funded by general, trust, revolving, and/or other funds that is under Reclamation's control.
  - (3) **GL 1740.323Z0, Capital Structures and Water Projects.** Cost or appraised value of capital structures and water projects purchased by general, trust, revolving and/or other funds that are under Reclamation's control.
  - (4) **GL1990.A0000, Other Assets.** This account consists of primarily intangible assets, which Reclamation will amortize over their useful lives. Some examples of costs Reclamation records in this account include power rights, settler's assistance costs, and future year's capacity provisions.
- B. Reclamation will record permanently suspended physical assets as G-PP&E Permanently Removed but Not Yet Disposed in accordance with RM TRMR, *Construction in Abeyance (CIA) and Impaired Assets (FIN TRMR-91)*.
  - C. In instances where non-Federal entities provide part of the cost of a Federally owned asset, Reclamation must capitalize the full costs of the completed asset in its accounting records and subsequently depreciate them. Reclamation must record the non-Federal share of the cost of the asset at least annually or in accordance with the cost share agreement (i.e., non-Federal partner must provide cost share data quarterly, the regional finance office must record the cost share date quarterly). The project manager will furnish the non-Federal partner's cost share data to the regional finance office for posting to the accounting records.
10. **Depreciation.** Reclamation must depreciate or amortize costs transferred to the above accounts, with the exception of land and land rights, over the useful life of the asset. Refer to RM D&S, *Depreciation, and Amortization*, ([FIN 07-23](#)) for the procedures to compute and record depreciation.
11. **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, paragraph 40, SFFAS 35, and TR 13, Reclamation will rely 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 PP&E balances Reclamation presents.

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## 12. Related References.

- A. [FIN 04-20](#), *Standard General Ledger (SGL) Chart of Accounts*
- B. [FIN 06-32](#), *Interest on Investment*
- C. [FIN 07-21](#), *Interest During Construction (IDC)*
- D. [FIN 07-22](#), *Plant Accounting - Land*
- E. [FIN 07-23](#), *Depreciation and Amortization*
- F. [FIN 07-32](#), *Computer Software Costs*
- G. FIN TRMR-92, *Assets under Construction (AUC)*
- H. FIN TRMR-91, *Construction in Abeyance*
- I. CMP TRMR-88, *Determination to Suspend an Authorized Construction Activity*
- J. CMP TRMR-72, *Project Management*
- K. [FAC 03-02](#), *Construction Activities*
- L. [Federal Replacements](#) - *Units, Service Lives, Factors 2015 Revision* (a joint publication of Reclamation, Western Area Power Administration, Bonneville Power Administration, and U.S. Army Corp of Engineers) (or the most current version, including Beta Testing versions)

## 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

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Filed by: \_\_\_\_\_

Date: \_\_\_\_\_