

CERM-F

11 December 1998

MEMORANDUM FOR Commanders and Directors, USACE Commands

SUBJECT: Accounting Policy for Notes (Long Term) Receivable

1. The Federal Accounting Standards Advisory Board (FASAB) set forth standards for Government-wide CFO reporting. FASAB standard for recording "Accounts Receivable" states that a receivable should be recognized when a federal entity establishes a claim to cash or other assets against another entity, either based on legal provisions (such as a payment due date) or goods/services provided. Notes (Long Term) Receivable are governed by the same standard with the following minimum conditions required:

- a. A promissory note or contract is made by one entity (service provider) to another entity (customer).
- b. Written agreement is signed by both entities.
- c. Contains an unconditional promise or order to pay a certain sum of money.
- d. Promissory note or contract must be payable on demand or at a definite time. The period shall exceed more than one year.

2. Within USACE Civil Works, water storage contracts were identified by the U.S. Army Audit Agency as long term receivables. These Notes Receivable will be recorded in CEFMS for the full term of the agreement (e.g., 10, 20, 30 years, etc.). However, where a termination clause exists, the receivable will be limited to the period of the termination notice. For example, for a thirty year water supply contract with a five year termination notice, the Notes Receivable will be booked on a five year interval. Likewise, water storage contracts containing an indefinite time period with no termination clause are to be booked at a maximum period of ten years.

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3. Civil Works outgrants and concessionaire leases are not being considered by USACE as long term receivables. This decision was based on the fact that outgrants/concessionaire leases include a thirty, sixty or ninety day termination notice. Also, the current receivables are computed based on a percentage of gross receipts, using the Graduated Rental System rate process, or a special provision allowing credits for work in kind.

4. The general ledger correlation functionality in CEFMS is scheduled to be completed by 31 December 1998 for recording Notes (Long Term) Receivable. Once the functionality is complete, this procedure will be followed.

FOR THE COMMANDER:

//Signed//
STEPHEN COAKLEY
Deputy Chief of Staff,

Resource Management