CONTINGENT REFUNDS UNDER AGREEMENTS FOR INSTALLATION OF UTILITY SERVICE LINES 8750

(Revised 6/85)

It is common in agreements with utility companies for installation of service lines to provide for refunds to the state in the event that other customers later be connected to the utility line serving the state agency. The right of refund is usually for a ten-year period and is limited to the total amount of the payment under the agreement.

Accounting control over these contingent receivables will be maintained in memorandum accounts of the agency. When such agreements are negotiated, the contingent receivable will be recorded in the accounts for the total amount of the installation cost as set forth in the contract. Copies of the agreements can be filed as the subsidiary detail of the contingent receivables account.

The Office of the State Architect will furnish the agency a copy of each agreement providing for refunds negotiated by that office in connection with the construction contracts.

Contingent receivables will be recorded in memorandum accounts by the following entry:

Dr. 1380	Contingent Receivable
Cr. 5390	Other Reserves

Refunds received during the term of the agreement will be remitted to the State Treasury as abatements to the appropriation from which the installation cost was paid, or if that appropriation has reverted, as refunds to reverted appropriations. At the time the abatements are recorded, entries will be made to reduce the balances in Accounts No. 2331 and 5200 and the above memorandum accounts.

Upon expiration of the agreement the agency will check with the utility company to determine whether it is entitled to any further refund. Then any unrefunded balance will be canceled by debiting Other Reserves and crediting Contingent Receivable.