State of Arizona Accounting Manual

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INTRODUCTION

Large projects undertaken by the State of Arizona and/or its agencies may take months or years to complete, and the costs incurred for their construction or development may span two or more fiscal years. This section of SAAM presents an overview for accounting for such projects.

POLICY & PROCEDURES

1. The balance sheet accounts "construction in progress" and "development in progress" should be used to accumulate costs for a project that is being built, created, assembled or fabricated over multiple months or years and that will result in the production of a capital asset, i.e., a long-lived resource the cost of which exceeds its capitalization threshold, as listed in SAAM 2590.

2. Construction in progress refers to resources that will, upon completion, be converted into tangible assets.

2.1. The balance sheet account "Construction in Progress" should be used to accumulate costs for projects involving buildings, equipment and other incipient tangible assets. The catalog code of 2600-01 should be used with construction in progress assets, which will drive the correct balance sheet posting.

2.2. Depreciation should not be computed for construction in progress.

2.3. Upon substantial completion and being placed into service, a project's balance in "construction in progress" should be transferred to the balance sheet account appropriate for the type of capitalized tangible asset.

2.3.1. If there are multiple dates for completion of various phases, contact the GAO at acfr@azdoa.gov for additional guidance.

2.4. Depreciation begins on the first day of the month in which the asset is placed into service.

3. Development in progress refers to resources that will, upon completion, be converted into intangible assets.

3.1. The balance sheet account "development in progress" should be used to accumulate costs for projects involving software and other incipient intangible

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assets. The catalog code of 2850-01 should be used with development in progress assets, which will drive the correct balance sheet posting.

3.2.   Amortization should <u>not</u> be computed for development in progress.

3.3.   Upon substantial completion and being placed into service, a project's balance in "development in progress" should be transferred to the balance sheet account appropriate for the type of capitalized intangible asset.

3.3.1. If there are multiple dates for completion of various phases, contact the GAO at acfr@azdoa.gov for additional guidance.

3.4.   Amortization begins on the first day of the month in which the asset is placed into service.

3.5.   AFIS includes functionality that can assist in automating the tracking of construction and development in progress costs. By specifying a particular program or program phase in AFIS as a fixed asset and linking this program or program phase with a construction in progress or development in progress asset, costs can automatically effect an increase in the value of the asset when the cost is paid and the program asset generation batch job is run in AFIS. Once the asset is placed in service, the program asset generation batch job can be used to designate the asset's appropriate type (building, software, etc.).

3.6.   Refer to SAAM 2515 for additional information on the internal development of software and SAAM 2565 for additional information on the internal development of intangible assets other than software.

4.   When accumulating time related to construction or development in progress, all HRIS expense account and activity elements should be used in order to link time entries in HRIS to program and accounting entries in AFIS. The relationship between the cost allocation elements in HRIS and those in AFIS are shown in the following crosswalk table.

HRIS	AFIS
Accounting Unit	Agency + Function
Account	Object
Sub-Account	Budget Fiscal Year (BFY)
Activity	Agency + Program *or* Agency + Program + Program Phase (ADOT only)
Account Category	Program Period *or* Activity (Forestry and ADOT)

5.   Questions concerning the transfer of development or construction in progress to the appropriate asset account should be directed to the GAO at acfr@azdoa.gov.