



County of Riverside
OFFICE OF THE AUDITOR-CONTROLLER
 STANDARD PRACTICE MANUAL

SECTION:		5	SUBJECT: CONSTRUCTION-IN-PROGRESS	
POLICY NUMBER:		510	CATEGORY: CAPITAL ASSET POLICIES	
REVISED DATE:		12/26/24	APPROVED BY: <i>Ben J. Brait</i>	

PURPOSE: To establish standard guidelines for County departments, agencies, and special districts for properly accounting for construction-in-progress (CIP).

SCOPE: Applies to County departments, agencies, special districts, and authorities that are governed by the Riverside County Board of Supervisors.

POLICY: Construction-in-Progress must be recorded in compliance with GAAP and Governmental Accounting Standards Board (GASB) Statements.

PROCEDURE: This Standard Practice Manual contains information on the criteria to be used for construction-in-progress (CIP) as well as the documentation and the process required to record the transaction(s) in the PeopleSoft Asset Management module (AM module).

SECTION	5
POLICY NUMBER	510
REVISED DATE	12/26/24

GENERAL INFORMATION

Construction-in-progress (CIP): Capitalized costs related to a tangible asset that are not yet substantially ready to be placed in service.

CIP is used to record the costs of direct labor, direct material, and overhead amounts that are expended in one fiscal year on new construction, land or building improvements, or other tangible capital construction projects that will be finished in a future year. CIP applies to projects exceeding \$10,000 in costs, such as new construction, land or building improvements, or other tangible capital projects. Depreciation begins only after the asset is substantially ready for use. Upon project completion, CIP costs are transferred to the appropriate asset category (e.g., Buildings) and depreciation will commence as well.

Development-in-progress: Capitalized costs related to an internally generated intangible capital asset that is not yet substantially ready to be placed in service.

CONSTRUCTION OVERHEAD

Construction overhead includes any cost of CIP that benefit multiple construction projects. Overhead may include costs for supervision and other indirect labor, supplies and materials, transportation, and depreciation of other assets used in construction of the asset in progress.

Construction overhead must be collected in cost pools and allocated to specific construction projects in proportion to the benefits received. Often, a common single factor such as square feet, direct labor hours, or direct labor dollars is used to allocate overhead costs. Other measures of the project, such as total cost, may also be used. The objective is to select an overhead allocation base that best represents the beneficial or causal relationship between the expenses incurred and all benefiting or causing segments.

CAPITALIZABLE COSTS ASSOCIATED WITH CONSTRUCTION-IN-PROGRESS

Capitalizable costs associated with a building project that should be included in the original capitalizable cost of the CIP project include (not inclusive):

- Original contract price
- Architect and engineering fees
- Equipment rentals (purchases will be recorded directly in AM)
- Expenses incurred in remodeling, reconditioning, or altering a purchased building to make it available for its intended purpose
- Design and supervision costs
- Permits and legal fees
- Insurance costs during construction phase
- Land excavation, grading, or filling

ABANDONMENT OF PROJECT

If a project is unlikely to be completed, subsequent costs – (e.g. costs made *after* project has been determined “abandoned”) should not be capitalized. To record the project's abandonment, the department must submit an AM-8 Form **and** an AM-7 Form. Using the code "**Abandonment – AB on the AM-7 form**". These forms must be submitted to the Auditor-Controller's Office (ACO) for processing as soon as possible. Additionally, any existing capitalized balances must be evaluated and adjusted in accordance with the impairment guidance outlined in SPM 514.

SECTION	5
POLICY NUMBER	510
REVISED DATE	12/26/24

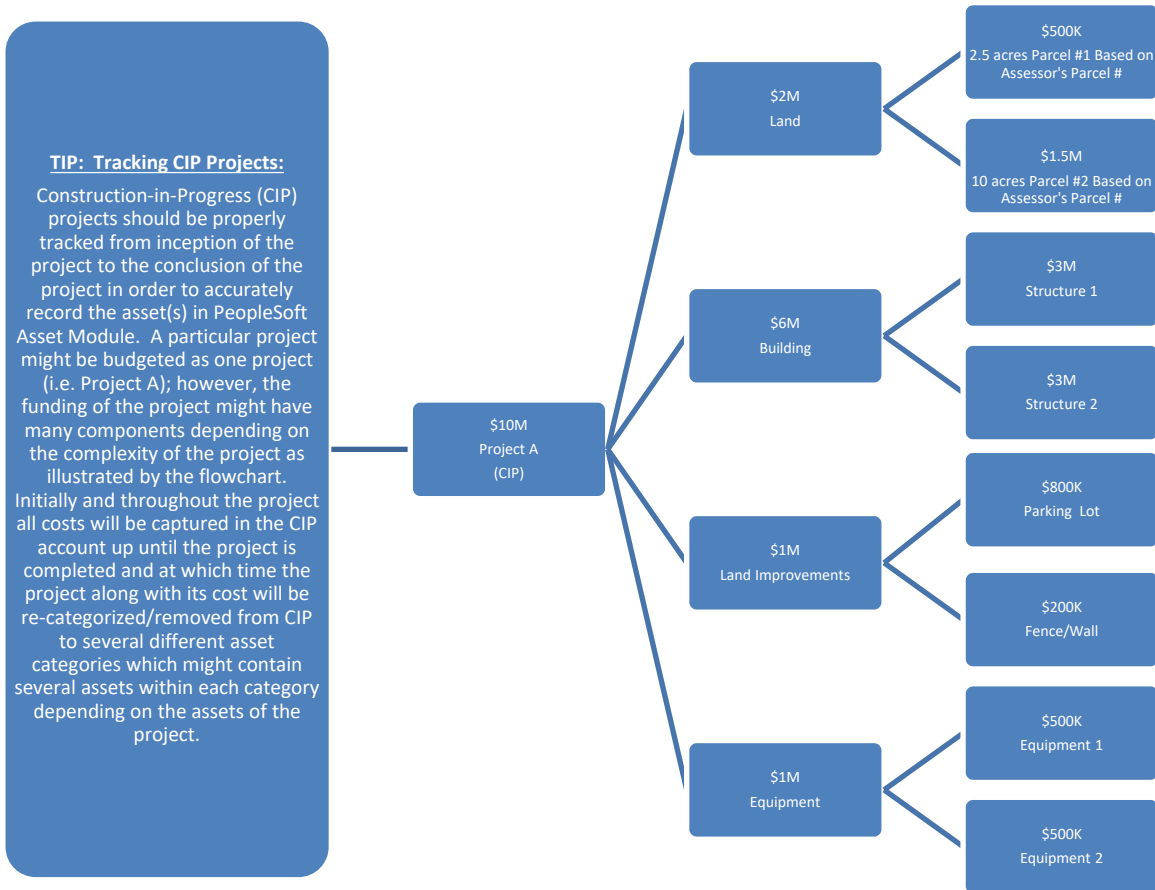
WHEN TO CAPITALIZE INTEREST

Interest costs associated with governmental fund capital assets will not be capitalized, instead they are expensed in the period incurred. Effective with **GASB Statement No. 89**, interest costs incurred during the construction of capital assets in proprietary funds will no longer be **capitalized**. Instead, these costs are **expensed as incurred**. Prior guidance under **GASB Statement Nos. 34 and 62**, which allowed interest capitalization for proprietary funds, has been superseded by GASB 89. This change ensures consistent treatment of interest costs across all fund types.

WHEN TO USE THE CIP ACCOUNT/CATEGORY

Use the CIP account anytime a project/capital asset that meets estimated thresholds will not be completed within the same fiscal year to track the cost associated with the project/capital asset(s).

The following is a flowchart of how a project might have several capital assets classified differently and therefore it is important to properly track the different costs for each asset category under CIP.



CAPITALIZATION CRITERIA:

Ensure costs recorded in the CIP account for a particular project/capital asset meet the County of Riverside capitalization criteria (See SPM 501), otherwise expense the costs.

REMOVAL OF CIP PROJECTS:

Removal of an Asset from CIP constitutes placing a CIP asset “in service”. Department management must prepare a memo detailing the total amount of CIP to be removed and obtain Department Head approval. The memo must include the Department Head's signature and be accompanied by the required forms (e.g., **AM-4**) before any CIP projects can be removed from the CIP accounts (SPM 514).

SECTION	5
POLICY NUMBER	510
REVISED DATE	12/26/24

DEPARTMENT ROLES:

- 1) CIP transactions must be recorded in the AM module as soon as all supporting documentation is available and received by the department.
 - a. Submission of an AM-5 form with all supporting documentation to the ACO within 15 days after the asset has been entered into the AM module
 - **EXCEPT** at year end when submission must be received within 24 hours of being entered into the AM module.
 - b. **All modifications to existing capital assets require** an AM-4 submission to the ACO. See SPM 512.
- 2) Once a project/capital asset has been completed and no longer requires the CIP account, it is the responsibility of the department to:
 - a. Submit a completed AM-4, including supporting documentation (e.g., notice of completion/ Form 11 to reclassify the accumulated costs in the CIP account to the proper asset categories.
 - b. Record the asset(s) under Closed Category on the Schedule Q report.
- 3) Submit Schedule Q reports **quarterly**, in addition to the AM-5 and AM-4 submitted at the time of CIP asset recording or modification. This ensures accurate tracking and reporting of CIP transactions.

AUDITOR-CONTROLLER’S ROLES:

- 1) Review and verify AM forms and Schedule Q.
- 2) Process transactions in PeopleSoft Financial System.

RECORDS MANAGEMENT ROLES:

Department

Retain all supporting documentation related to capital assets for a minimum of 7 years. This includes information reported on “Schedule Q – Construction in Progress” and any other records not submitted to the Auditor-Controller.

Auditor-Controller

The Auditor-Controller is the official repository for all AM Forms and corresponding supporting documentation. The documentation is retained in accordance with the County’s General Records Retention policy which at present is the current year plus the preceding 7 years

SECURITY ROLES:

To perform the functions discussed above the following roles must be requested:

Department:

Capital Asset Processor – this role will allow you to:

- Add new capital asset information into the system
- Modify certain capital asset information

Auditor Controller:

Asset Reviewer Auditor-Controller Only – this role will allow you to:

- Adjust, re-categorize, transfer, and dispose capital asset information
- Review and process transactions
- Generate reports on capital assets and leases.

SECTION	5
POLICY NUMBER	510
REVISED DATE	12/26/24



CAPITAL ASSET LISTING CORRECTIONS

OFFICE OF THE AUDITOR-CONTROLLER

Complete and return to the Auditor-Controller's Office, Mail Stop #1050.

SPM FORM

AM – 4

(Policy # 512)

BUSINESS UNIT	FUND NO.	DEPT ID	AGENCY/DEPARTMENT NAME

Asset ID	Description	Requested Change	Transaction Date

Prepared By	Date	Phone	Mail Stop #

Auditor-Controller's Use		
System Updated By:	Initials	Date

April 2024

SECTION	5
POLICY NUMBER	510
REVISED DATE	12/26/24



CAPITAL ASSETS FORM

Acquisition, Betterment & Leases

OFFICE OF THE AUDITOR-CONTROLLER
 Complete and return to the Auditor-Controller's Office, Mail Stop #1050.

SPM FORM
 AM-5
 (POLICY #504)

"*" Indicates optional field **ASSET ID:** _____

DEPARTMENT		BUSINESS UNIT		
FUND	DEPT ID	PROGRAM *	CLASS *	PROJ/ GRANT *
CATEGORY	ACCOUNT	COST	Notes	
Select				
BOOK	FINANCING CODE	LOCATION	Require County issued tag?	
Select			<input type="checkbox"/> Yes <input type="checkbox"/> No	
ACQUISITION DATE		IN SERVICE DATE		
VENDOR CODE:		VENDOR NAME		
MANUFACTURER	SERIAL NUMBER	MODEL		
ASSET DESCRIPTION:				
DEPRECIATION METHOD	USEFUL LIFE (in months)	SALVAGE AMOUNT		
Straight Line				
PURCHASE AUTHORIZATION		VOUCHER		

For Betterments Only:	
BETTERMENT DESCRIPTION	
TOTAL BETTERMENT VALUE	

For Financed Purchases Only:	
LEASE ID#	LIABILITY AMOUNT (PRINT)

ATTACH THE FOLLOWING AND CHECK THE BOX FOR EACH ATTACHMENT PROVIDED:
 P.O. s Property schedules Amortization schedules Financing agreements

Prepared by: _____ Phone: _____
 Date: _____ Dept: _____

Auditor-Controller's Use

System Updated By:	Initials	Date

June 2024

SECTION	5
POLICY NUMBER	510
REVISED DATE	12/26/24



CAPITAL ASSET DISPOSITION

OFFICE OF THE AUDITOR-CONTROLLER

Complete and return to the Auditor-Controller's Office, Mail Stop #1050.

SPM FORM
AM - 7

(Policy #514)

PAGE ___ OF ___

Department	Business Unit	FY
Contact Name		Phone

Disposition Codes							
Abandonment	AB	Disposal Due to Theft	DPO	Missing Asset	MIS	Scrapped Asset	SCR
Cannibalize	CAN	Donated to External Group	DON	Retirement by Sale	RTR	Traded in for Other Asset	TRD
Casualty Loss	CAS	Leases / SBITAs Termination	LSE	Returned to Inventory	RET	Retirement - Service Animal:	RTS

Category Code	Asset Number	Disposition Code	Quantity	Retire Amount	Proceeds	Removal Costs	Disposition Date
1		Select ▾					
<i>Other Information (Description of equipment, serial number, etc.)</i>							
2		Select ▾					
<i>Other Information (Description of equipment, serial number, etc.)</i>							
3		Select ▾					
<i>Other Information (Description of equipment, serial number, etc.)</i>							
4		Select ▾					
<i>Other Information (Description of equipment, serial number, etc.)</i>							
5		Select ▾					
<i>Other Information (Description of equipment, serial number, etc.)</i>							

	
Authorized Signature for Deposition (Department Head or Designee)	Date

Auditor-Controller's Use		
	System Updated By:	Initials
		Date

December 2024

SECTION	5
POLICY NUMBER	510
REVISED DATE	12/26/24



CONSTRUCTION-IN-PROGRESS PROJECT REMOVAL FOR CAPITAL ASSETS

OFFICE OF THE AUDITOR-CONTROLLER

Complete and return to the Asset Management Desk of the General Accounting
Division, Mail Stop #1050.

SPM FORM
AM – 8
(Policy #514)

BUSINESS UNIT	FUND NO.	DEPT ID	AGENCY/DEPARTMENT NAME

1	Asset Number	Category Code	Project #	Quantity	Amount	Fiscal Year	Disposal Date

Other Information (Reason/Comments)

2	Asset Number	Category Code	Project #	Quantity	Amount	Fiscal Year	Disposal Date

Other Information (Reason/Comments)

3	Asset Number	Category Code	Project #	Quantity	Amount	Fiscal Year	Disposal Date

Other Information (Reason/Comments)

4	Asset Number	Category Code	Project #	Quantity	Amount	Fiscal Year	Disposal Date

Other Information (Reason/Comments)

5	Asset Number	Category Code	Project #	Quantity	Amount	Fiscal Year	Disposal Date

Other Information (Reason/Comments)

Project Manager Name	Title	Signature	Date

Fiscal Chief/Officer/Manager Name	Title	Signature	Date

Department Director	Title	Signature	Date

June 2024

SECTION	5
POLICY NUMBER	510
REVISED DATE	12/26/24