STATE OF VERMONT
CONSTRUCTION and/or
DEVELOPMENT in PROCESS FORM
JUNE 30, 2022

ACFR-4 Form: Complete this form to report the cost of construction or development work undertaken, but not yet complete that will result in a capitalized asset. Construction-in-process refers to tangible assets such as buildings, building improvements, and infrastructure. Construction-in-process also includes fit-up cost for both leased and owned buildings. Development in process refers to intangible asset such as websites and software development. The acronym "CIP" used within these reporting instructions refers to both construction and development work. A CIP project is not depreciated until the asset is placed in service. Once the CIP project is complete, the CIP cost is retired and the cost is reclassified to the proper asset classification (land, building, software…). Projects that were started, completed and added as an asset in the Asset Management module within the current fiscal year do not need to be included on this form.

Construction-in-Process projects, upon completion and placement into service, the value of the project must be removed from CIP and the cost value of the asset must be reestablished in the appropriate capital asset classification account in the Asset Management Module within 60 days.

Software/development projects should be recorded as depreciable assets following the go-live date which is also defined as when the system is put into "production". Special attention should be given to major computer software system projects that may have multiple layers of development. It is possible for one project to be considered substantially complete, while at the same time another project is still under development. Projects that have multiple "go-live" dates should be tracked and reported separately.

The in-service date (VISION transaction date), meaning when the "constructed asset is accepted and ready for its intended use", must be determined prior to entering the asset in VISION. The in-service date should be supportable. For instance, the Certificate of Substantial Completion letter is used to support the in-service date for building construction. Also, verify the depreciation is correct especially if the asset is added in VISION months following the in-service date to ensure all prior period depreciation is calculated. The Trans Date in VISION AM must equal the in-service date to calculate the correct depreciation. Include the asset ID from VISION on the ACFR-4 Form for all projects completed and categorized to building, machinery and equipment, or other.

The ACFR-4 Beginning balance form includes the beginning balance to use for projects reported last year that will need to be included on the current form. The start date and estimated end date is also required. The purpose is for each department to do a thorough review of the CIP balance to ensure only costs directly allocable to the project are being capitalized and that completed projects/phases have been retired from CIP and added as an asset prior to year-end.

For construction include all the costs incurred to-date to construct the asset and associated charges such as; legal and title fees, closing costs, appraisal fees, surveying fees, land preparation costs, demolition costs, transportation, and in-house employee payroll and fringe benefit costs directly allocable to the project.

For internal generated intangible assets (software/website development) include design, configuration, coding, installation, testing, and data conversion costs. Constructing and Configuration Hosting fees during the application (development) stage, and direct personal services related directly to the project's

development should be included in cost of development. Only costs directly associated with the project should be included in CIP. For example, the costs leading up to selecting a vendor should not be included in CIP. Feasibility studies, evaluating alternatives, and the final selection process are considered preliminary stage costs, and should be excluded from CIP. Likewise, the cost of training employees should not be capitalized because the cost is not considered necessary to place the asset into its "intended location and condition for use". In other words, the asset may be ready for use even if the employee is not ready. Employee training is considered "post-implementation" and should be expensed.

Departments are responsible for maintaining documents in support of the in-service date, value, term and life expectancy of the asset. For audit purposes the working papers include source documents such as Certificate of Substantial Completion, contracts, invoices, and payroll records. Departments should have a formal policy or documented procedure in place on for recording, monitoring and safeguarding fixed assets. Departments may contact F&M anytime during the year to make sure project costs being tracked according to generally accepted accounting principal and to ensure accurate reporting.

Along with the ACFR4 Form, the FY Expenditure tab must be completed. Enter the current year expenditure detail from VISION on the FY Expenditure tab to show support for the cost of the project. An accounts payable query to extract the data for the FY Expenditures is the VT_AP_ACCR_EXPENDITURE_DST; and VT_ACCOUNT_EXP_ALLFIELDS_DTL for expenditure detail by source. The beginning balance expenditure tab should show the expenditure detail from prior years (this is the cumulative balance brought forward). The amount capitalized tab should show the expenditure detail from VISION supporting the cost of the asset (detail from beginning balance and current year tabs). The ending CIP balance should include the expenditure detail remaining in CIP at FYE (BB Detail plus CY expenditures less expenditures reclassified to an asset or expensed in Current FY).

The instructions below will help you summarize the data on the form.

Construction/Development in Process Form – ACFR-4

Be sure to complete GL Business Unit or reported Fund (ISF, Business Type or Fiduciary) from the dropdown menu. The total beginning balance will populate, and the detail reported must agree. The ending detail from last year must be the starting detail used for Column D.

 Please complete the schedule on first tab called ACFR4 Form (continue to Sheet 2 if needed) for **all projects where there is Construction/Development in Process activity.**

1. Do NOT fill in the gray shaded areas – these cells contain formulas and are protected.
2. Provide cost detail incurred in the current fiscal year (FY Expenditures tab).
3. All forms must be approved by an authorized person.
4. Complete the Certification Sheet. By completing this sheet and submitting it electronically from your state email account, it is considered electronically signed and approved by the authorized individual.

Columns on ACFR-4 form include:

- Description – include the name of the project or a description of the asset being constructed or developed.
- Start Date – Enter the start date of project; when construction began, or project development commenced.

- Beginning Balance/Expenditures to Date – this should include all capital expenditures associated with the project from its start date (agrees with amount per BB Worksheet). The amount entered should equal last year's ending balance. A spreadsheet confirming the beginning balance can be found on the F&M website.
- FY Expenditures – all expenditures incurred during the current fiscal year. The VISION Transactions supporting the amount entered must be provided on the FY Expenditures Tab included on form.
- Amount Capitalized – If the project was completed in the current year, then show the amount capitalized in Asset Management module. Show the cost detail on the Amount Capitalized Tab. This should be the amount from Beg Balance and FY expenditures combined by project/asset. Report the "Asset ID" in column N. (Completed projects only)
- Amount Expensed – To remove any non-capital/project expenditures that may need to be removed from prior reporting or current year expenditures included in CIP balance. (To adjust balance)
- Balance June 30 – this is a calculated CIP balance (Beginning CIP balance plus FY expenditures less amount capitalized less amount expensed); this balance will be the beginning balance on next year's form. (Balance for work still in process)
- Scheduled (Planned) Completion Date – This is to confirm the cost reported at year end is still in CIP because the project is not yet substantially complete and ready to be placed in service.
- In-service date – Per Department's Policy and Procedures. For construction projects this may be the date indicated on the Substantial Completion Letter; for software this may be the actual go-live date/production date. This date is important to auditors because it establishes the start of the asset's depreciation (Trans date in VISION AM).
- Asset ID – this is the AM asset ID associated with the completed project that was entered in the Asset Module and not the CIP ID. The Asset Id is used to verify the asset's chartfields and depreciation associated with the addition. For those incomplete projects, enter "N/A".

If there are any questions, please mailto:Vision.ACFR@vermont.gov
The completed form should be e-mailed to mailto:Vision.ACFR@vermont.gov

Additional Guidance: Please Review prior to completing the form.

- ✓ Asset Management Procedure #1 are the VISION related business requirements.
  https://finance.vermont.gov/sites/finance/files/documents/Pol_Proc/VISION_Proc/FIN-VISION_Procedure_1_Asset_Management.pdf

- ✓ The Capital Assets – Tangible and Intangible Procedure #10 provides additional definitions and guidance on tracking and reporting costs.
  https://finance.vermont.gov/sites/finance/files/documents/Pol_Proc/Fin_Mgt_Policies/FIN-Policy_10_Capital_Assets_Tangible_Intangible.pdf

- ✓ Asset Management Manual is the "How to guide" for entering an Asset in VISION.
  https://finance.vermont.gov/sites/finance/files/documents/Train_Support/VISION_Manuals/FIN-Asset_Management_Manual.pdf

- ✓ Best Practices Series #6 provides practical guidance and recommendations on internal controls.
  https://finance.vermont.gov/sites/finance/files/documents/Pol_Proc/IC/FIN-IC_Best_Practices_6_Fixed_Assets.pdf