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Overview

Introduction

The purpose of the Commonwealth's capital asset accounting procedures is to provide auditable information for the Comprehensive Annual Financial Report (CAFR), and to help ensure that property, plant, and equipment are acquired, controlled, and disposed of in the best interests of the Commonwealth. The Fixed Asset Accounting and Control System (FAACS) facilitates this process. State agencies and institutions must have policies and procedures in place to ensure that assets that meet the criteria contained in this topic are properly recorded in FAACS. Each State agency and institution must be either a "central" or "summary" user as defined in subtopic "Types of Users."

LAS

Closely related to FAACS is the Lease Accounting System (LAS), an online web enabled system. It is designed to assist the Commonwealth in meeting the requirements set forth in the Statement of Financial Accounting Standards (SFAS) 13. The system calculates implicit interest rates and other lease data for economic analysis purposes. Refer to CAPP Topic No. 31200, Lease Accounting, for procedures on using this system.

Policy Exceptions

Agencies requesting an exception to any capital asset accounting policy must submit a written request to the State Comptroller for approval. The request must be signed by the agency head or designee detailing the justification for the exception.

Types of Users

FAACS has been designed as the single, Statewide property management system and has two types of users as follows:

- **Central FAACS Users**
  
  Agencies that record detailed capital asset accounting information in FAACS for all assets owned or leased that meet capitalizable or controllable requirements.

- **Summary FAACS Users**
  
  Agencies that use property management systems (automated or manual) other than FAACS.

  These agencies and institutions must comply with CAPP Topic No. 31010, Summary Users, to provide all required capital asset transaction information in summary form.

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Definitions

Category 1: Land

All non-expendable, real property owned by a state agency as evidenced by ownership title.

Category 2: Buildings

All real estate, excluding land, used for shelter, dwelling, and other similar agency purposes. The Statewide definition is any "roofed structure for permanent or temporary shelter of persons, animals, vegetation, or equipment."

Division of Real Estate Services


Continued on next page
Definitions, Continued

Category 3: Infrastructure

All improvements not specifically identifiable to an individual building, other than nondepreciable improvements to land parcels such as grading or filling expenditures. Included are agency-maintained infrastructure such as roads, bridges, curbs, surface gutters, street, sidewalks, drainage systems, parking lots, lighting systems and similar assets which, while not identifiable to any particular structure, nevertheless have a quantifiable value to the agency. Examples of infrastructure (previously Improvements Other Than Buildings) are listed below along with descriptive information that would normally be entered in the asset record. The infrastructure category now includes intangible assets, including software. See CAPP Topic No. 30325, *Software and Other Intangible Assets*.

Roads and Bridges: Include only those roads and bridges that are maintained by the agency and that are not maintained by the Virginia Department of Transportation (VDOT).

Paving: Include total dimensions of the site and qualitative information such as the existence of related earth berms and parking lot striping.

Fencing: Total linear feet, including gates, etc. List by type.

Concrete Work: Sidewalks, flatwork, etc. List of total areas of various types. List curbs separately.

Misc. Structures: Small structures not listed by separate location such as sheds, sign posts, bleachers, etc. List individually without regard to component breakdown.

Plumbing: List as total plumbing for the site, including drain irrigation, drinking fountains, hose bibbs, and on-site sewer.

Electrical: List area lighting separately from miscellaneous and electrical service.

Software and Other Intangible Assets: Includes all software and other intangible assets as defined in CAPP Topic No. 30325, *Software and Other Intangible Assets*.

Continued on next page
Definitions, Continued

Category 4: Equipment

Agency property of any kind which meets the following criteria:

- Is complete in itself;
- Does not lose its identity or become a component of the building where it resides; and,
- Is of a durable nature with an expected service life of more than one year.

Items that are either built in or largely immobile, e.g., large machinery or laboratory benches, are equipment items since the items are separately identifiable. Central air conditioning and heating systems for a building are building components and are not capitalizable as equipment items.

Construction in Progress (Summary Maintenance)

A reporting classification that represents a temporary capitalization of labor, materials, and equipment of buildings or other capital assets (capital projects) that are being constructed.
Policy

General
Agencies will maintain proper stewardship over all agency capital assets. Specifically agencies are required to:

- Maintain internal controls and an internal control environment that ensures the proper control and safeguarding of all agency-owned or otherwise-utilized capital assets. This control environment is subject to review during audits performed by the Auditor of Public Accounts (APA).
- Provide information for Generally Accepted Accounting Principles (GAAP) basis financial reporting in the appropriate format. Also, where applicable, provide accurate and timely reports to the federal government in accordance with reporting requirements. This may be accomplished through the utilization of central FAACS or an acceptable agency based-capital asset system (refer to CAPP Topic No. 31010, Summary Users, and CAPP Topic No. 70105, Agency-based Automated Accounting Systems, regarding use of capital systems other than central FAACS).
- All tangible capital assets valued at $5,000 or greater on an historical cost basis must be capitalized in FAACS.
- Proper stewardship must be maintained over all agency capital assets, including those valued at less than $5,000. The agency has the discretion to develop an individual policy regarding controlling or tracking assets valued at less than $5,000.
- Establish and maintain procedures to ensure that proper reconciliations and corrections are made on a timely basis. Refer to CAPP Topic No. 30905, Requirements.
- Ensure that all depreciation, where applicable, is calculated, summarized and reported on a basis consistent with GAAP. Refer to CAPP Topic No. 30610, Depreciation Method and Calculation, which requires use of the straight-line method.
- Establish and publish agency internal policy and procedures, as necessary to supplement CAPP, regarding stewardship over capital assets.

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Accurate historical asset values and depreciation information are imperative to accurate financial reporting, and this accuracy relies on the following:

- Funding amount presented as historical cost (GAAP) should be accurate and supported by appropriate source documents. Refer to CAPP Topic No. 30210, *Acquisition Valuation*.

- Acquisition date must be accurate. Assets should be added to FAACS during the fiscal year acquired. Additionally, reasonable estimates of useful life and salvage value must be made and entered into the asset record. Refer to CAPP Topic No. 30210, *Acquisition Valuation*.

- Agencies should develop and periodically update a methodology for assigning asset useful lives. Useful lives contained in the nomenclature code table are based on IRS estimates. Governmental organizations often use capital assets longer than private sector for profit businesses. Agencies should consider actual use patterns for different types of assets and take into account the actual length of time the agency has used different assets over time in the past. This focus should be incorporated into agency useful life estimate methodology. Refer to CAPP Topic No. 30605, *Useful Life*.

- Agency methodology for estimating and assigning reasonable useful lives should include requesting new nomenclature codes from DOA if appropriate codes are not contained in the nomenclature code table. Refer to CAPP Topic No. 30315, *Nomenclature Codes*.

- Agencies should perform a periodic review and update of asset useful lives to ensure that the useful life closely mirrors the actual life of the asset. Refer to CAPP Topic No. 30605, *Useful Life*.

- Agencies should develop and periodically update a methodology for estimating salvage value that is based on the type of asset, its obsolescence and degree of usefulness at disposal and the nature of the disposal process. The estimate of useful life should also be a factor in estimating salvage value. Salvage value *is* a required field in FAACS. However, zero will be an allowed value. Refer to CAPP Topic No. 30210, *Acquisition Valuation*.

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- When an asset has been disposed, the book value must be removed from the appropriate capital asset GLA balances. Agencies should periodically review capital asset information contained in FAACS to ensure that assets that are no longer under the control of the agency have been properly disposed in FAACS. Disposal date must be accurate, as should the other disposal-related fields. Disposals should be recorded in FAACS during the fiscal year in which an asset was actually disposed. Refer to CAPP Topic No. 30805, *Disposal Management*.
- Agencies should periodically review capital asset information contained in FAACS to ensure that assets having a surplus status are properly classified as surplus. Refer to CAPP Topic No. 30705, *Surplus Property Management*. 
Internal Control

General

Agency heads are responsible for maintaining an adequate system of internal controls within the agency. Such a system includes authorization for making vendor payments and other expenditures of State funds and includes granting security access to Statewide accounting and budgeting systems, including FAACS. This responsibility is frequently delegated to the agency fiscal officer. As long as the agency has sufficient internal controls to ensure that agency capital assets are safeguarded and capital assets financial balances are fairly presented, the agency will be considered to be in compliance with DOA policy as it applies to FAACS.

Agencies should establish adequate and cost beneficial internal control systems to ensure that:

- Capital assets are acquired for use in furthering the agency's programs and missions;
- Those assets that are within the required capitalizable or controllable limits are recorded in FAACS;
- Proper stewardship and control over assets is carried out, including periodic inventories;
- Financial records reflect proper capital asset balances;
- Assets are reasonably protected from theft;
- Internal procedures are documented in writing; and
- Proper segregation of duties is maintained.

DOA Contact

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Subject Cross References

References

CAPP Topic No. 30210, *Acquisition Valuation*

C APP Topic No. 30310, *Asset Categorization*

CAPP Topic No. 30315, *Nomenclature Codes*

CAPP Topic No. 30325, *Software and Other Intangible Assets*

CAPP Topic No. 30605, *Useful Life*

CAPP Topic No. 30610, *Depreciation Method and Calculation*

CAPP Topic No. 30705, *Surplus Property Management*

CAPP Topic No. 30805, *Disposal Management*

CAPP Topic No. 30905—Requirements

CAPP Topic No. 31010, Summary Users

CAPP Topic No. 31200, *Lease Accounting*

CAPP Topic No. 70105, *Agency-Based Automated Accounting Systems*