

Volume No. 2 - Classification & Coding Structure	TOPIC NO.	60101
Function No. 60100 - CARS	TOPIC	CHART OF ACCOUNTS
	DATE	July 2009

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Overview

Basis of Accounting

The Commonwealth Accounting and Reporting System (CARS) records transactions on the cash basis of accounting.

Fund Accounting

The Commonwealth of Virginia maintains accounting records in accordance with the principles of fund accounting. The State's accounting records are subdivided into funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording assets, liabilities, fund balance, and operating accounts. The Commonwealth of Virginia classifies funds according to Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB). Each of these funds is independent of the others. The various agencies and programs of the Commonwealth are supported by these funds. While funds are independent of each other, transactions may occur between funds.

Policy

In accordance with Section 2.2-803 of the Code of Virginia, the Department of Accounts (DOA) is responsible for financial data classification and coding structures for agencies. Changes to any established financial related code or set of codes for such agencies must be approved and/or issued by DOA. (Note: The Department of Planning and Budget is responsible for establishing Program codes and Object codes.)

Agencies may have the delegated authority to update selected data classification and coding structures for their agency. This delegated authority is entirely at the discretion of the Department of Accounts and is controlled by the CARS security table.

State agencies must provide the specified minimum coding (see CAPP Topic No. 60103, *Transaction Codes*) on each financial transaction input to CARS. This requirement also applies to those agencies operating internal financial information systems to accommodate unique accounting needs. Regardless of internal agency systems, the total coding structure provided by CARS is available for use by all agencies.

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Classification Structure

Structure and Components

The General Ledger Account (GLA) structure and the Chart of Accounts provide the means to accumulate all accounting information for financial management purposes. The GLA structure is independent of the Chart of Accounts and is one level above the Chart of Accounts in the data classification hierarchy. (See CAPP Topic No. 60102, *General Ledger Account Codes*)

The Chart of Accounts is a systematic structure for recording and reporting accounting information pertaining to the financial activities of both the Commonwealth and its agencies. The Chart of Accounts has six major components for classifying data. Each component is separate from the others and the GLA. The components and their purposes are as follows:

- (1) **Organization** - identifies costs and revenues relating to the organizational units (agency) responsible for them and to the management structure within those organizational units. This component in the accounting structure is intended to provide financial reports which meet agency management requirements and is based on a cost center concept. The organizational structure also allows for a roll up of costs and revenues of several agencies for reporting to a control agency or a Secretary. (See CAPP Topic Nos. 60104, *Agency and FIPS Codes*; 60105, *Cost Codes*; and 70225, *Descriptor Tables*)
- (2) **Fund** - classifies data according to fiscal entities necessary to comply with legal requirements and GAAP. The fund structure is not adjustable for agency management purposes. Revenues are deposited into funds in accordance with statutory provisions. The General Assembly appropriates according to funds. Expenditures are charged against the funds in accordance with those appropriations. (See CAPP Topic No. 60106, *Fund Codes*)
- (3) **Program** - accumulates financial information related to activities or sets of activities aimed at achieving specific objectives of the Commonwealth. This component reports the costs of programs across agency and fund lines and provides the basis for program budget formulation and control. Revenues are not recorded to programs. The program structure is adjustable to meet agency management needs, if approved in advance by the Department of Planning and Budget. (See CAPP Topic No. 60107, *Program Codes*)

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Classification Structure, Continued

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- (4) **Object** - classifies the specific type of expenditure of the operation of public activities or services. This component provides a secondary identification by Subobjects of expenditure. The object structure is not adjustable to meet agency needs. (See CAPP Topic No. 60108, *Expenditure Codes*)
- (5) **Revenue Source** - identifies the specific types of revenues and receipts collected to support the activities of the Commonwealth. The revenue source structure is adjustable to meet agency management needs with prior approval by DOA. (See CAPP Topic No. 60109, *Revenue Source Codes*)
- (6) **Project** - identifies financial data that does not correspond directly to program activities and frequently does not fall within the normal fiscal period (i.e., fiscal year or biennium). The project structure is intended to give the agency the flexibility required in accumulating financial information for agency management purposes. The project component is also used to identify costs for Statewide activities that cut across agency lines and fall outside the program structure. (See CAPP Topic No. 60110, *Project Codes*)

Below is a schematic of the levels of financial data that can be coded for each of the six components of the Chart of Accounts. The X's indicate the number of characters for each of the detail classification elements. Elements with an asterisk (*) will be generated internally by CARS. The elements coded with a double asterisk (**) can be generated internally by CARS or can be input. In cases where items can be input and/or retrieved by other elements (project), and both methods are used for a single transaction, the input element must be the same as the element retrieved or the accounting transaction will be rejected.

<u>ORGANIZATION</u>	<u>OBJECT</u>	<u>FUND</u>
*Secretarial Area	Major Object XX	Fund Group XX
*Control Agency	Subobject XX	Fund Detail XX
Agency XXX		
Cost Code XXX		
*Org. 1	<u>REVENUE</u>	<u>PROGRAM</u>
*Org. 2	*Rev. Class XX	*Function
*Org. 3	Rev. Source XXXXX	*Subfunction
*Org. 4		Program XXX
	<u>PROJECT</u>	Service Area XX
	**Project XXXXX	Element XX
	**Task XX	
	**Phase XX	

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General Coding Requirements

Coding Structure Requirements

The minimum coding structure for revenue or expenditure transactions is summarized as follows:

Revenue Transactions	<u>TRAN</u> XXX	<u>AGENCY</u> XXX	<u>FUND</u> XX	<u>FFY</u> XXXX	<u>REVENUE</u> XXXXX = 17
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Expenditure Transactions	<u>TRAN</u> XXX	<u>AGENCY</u> XXX	<u>FUND</u> XX	<u>FFY</u> XXXX	<u>PROGRAM</u> XXX	<u>OBJECT</u> XXXX	<u>DUE DATE</u> XXXXXXXXX = 27
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Other classification elements are included in the standard distribution grid on Commonwealth Accounting forms. These elements may or may not be included for specific transaction codes being used. See CAPP Topic No. 60103, *Transaction Codes* for elements that are required, not allowed, or optional for each transaction code.

Content and Use

General

The Chart of Accounts coding structure is designed to accommodate all types of financial transactions for various State government activities. Some components may not be needed to properly classify a particular financial transaction. For example, the revenue source code does not apply to an expenditure transaction; likewise, the object code is not valid for coding revenue data. In addition, the component codes and the coding level within each component used for a given transaction vary with the nature of the transaction itself. The code relationships within the structure are dynamic and vary with the specific characteristics of the transaction.

It is important to remember that each of the six component codes is independent and that the Chart of Accounts coding structure can uniquely identify any type of financial transaction with the use of applicable codes and code levels. The specific coding requirements are determined by the edits established for each transaction code. Refer to CAPP Topic No. 60103, *Transaction Codes*, for detailed requirements.

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DOA Contact

Contact

Assistant Director, General Accounting

 (804) 225-2376

FAX (804) 225-4250

 gacct@doa.virginia.gov
