














<b>Volume No. 1—Policies and Procedures</b>	<b>TOPIC NO</b>	<b>31005—Cardinal</b>
<b>Section No. 31000—Reporting</b>	<b>TOPIC</b>	<b>Transactions and Year-End</b>
	<b>DATE</b>	<b>July 2022</b>

## Procedures, Continued


FAACS  
Transaction  
Samples,  
continued

Agency inputs (August) transactions submitted into FAACS

Transaction Code	DR	CR
No entry is required to the FAACS system until the FAACS Quarter close for September. Then the agency should a submit FORM 04— Summary Maintenance of all capitalizable costs associated with the project through the first quarter of the fiscal year.		
622 (6) Construction in Progress Investment in General Fixed Assets	X,XXX	X,XXX
618 (7) Equipment (C) Investment in General Fixed Assets	3,200	3,200
618 (8) Equipment (D) Investment in General Fixed Assets	750	750
N/A (9) The agency will key the correct acquisition amount on the appropriate on-line screen. The system will generate the following transactions:		
618R (9) Investment in General Fixed Assets Equipment (B) Reverse old asset value	6,000	6,000
646R (9) Accumulated Depreciation - Equipment (B) Investment in General Fixed Assets Reverse prior year depreciation	630	630
640R (9) Accumulated Depreciation -Equipment (B) Investment in General Fixed Assets Reverse current year depreciation (July 20XX) No depreciation calculated for month asset deleted or disposed (August 20XX)	90	90
618 (9) Equipment (B) Investment in General Fixed Assets Record Equipment at new acquisition value	13,000	13,000
646 (9) Investment in General Fixed Assets Accumulated Depreciation – Equipment Record Accumulated Depreciation for prior year	1,446.67	1,446.67

$$\begin{array}{r}
 \text{Annual \% of} \\
 \text{Depreciation} \\
 \hline
 \frac{\$13,000 - 600}{5}
 \end{array}
 \times
 \begin{array}{r}
 \text{Year} \\
 \hline
 \frac{7}{12}
 \end{array}
 =
 \begin{array}{r}
 \text{Prior Year's Unrecognized} \\
 \text{Depreciation} \\
 \hline
 \$1,446.67
 \end{array}$$

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Commonwealth of Virginia

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**Procedures, Continued**

**FAACS  
Transaction  
Samples,  
continued**

The current year depreciation expense is calculated for Equipment (B) for each month based on the new acquisition value:

Current Year Accumulated Depreciation:

July	206.67
August	<u>206.67</u>
Total	413.34

Depreciation for all the assets will be generated for August and totaled in the accumulated depreciation account.


	<b>DEBIT</b>	<b>CREDIT</b>
618 (10) Equipment (E)	8,000	
Investment in General Fixed Assets		8,000

To record purchase price of equipment (E), financed over 3 years. (Note: Since title passes on most installment purchases at time of receipt, full purchase price is entered immediately.) Subsequent payments are appropriately entered in Cardinal with no entries necessary in FAACS.

	<b>August</b>	<b>July</b>	<b>Prior Years</b>	<b>Total Accumulated Depreciation</b>
Equipment (A)	83.33	83.33	-	166.66
Building (A)	500.00	500.00	-	1,000.00
Equipment (B)	206.67	40.00	280.00	1,860.01
	206.67		1,445.67	
	(630.00)			
	(90.00)			
Equipment (C)	0.00	-	-	0.00
Equipment (D)	0.00	-	-	0.00
Equipment (E)	83.33	-	-	83.33
Improvements	<u>104.17</u>	<u>104.17</u>	-	<u>208.34</u>
Total	<u>464.17</u>	<u>727.50</u>	<u>1,726.67</u>	<u>3,318.34</u>

Note: Equipment C and D are controlled assets and do not depreciate.




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**Procedures, Continued**

FAACS Agency inputs transactions submitted into FAACS, continued:  
**Transaction**  
**Samples,**  
continued

<b>Date</b>	<b>Step</b>	<b>Action</b>
September 5, 20XX	11	The agency disposes of equipment A to a private company for \$4,850.
September 10, 20XX	12	The agency enters into a contract with the federal government. The agency purchases a piece of equipment (F) with 100% federal funds and the agency retains title to the asset. Equipment cost \$6,000; useful life, 3 years; no salvage value.
September 12, 20XX	13	Also another piece of equipment is purchased with State and federal funds, 60% State, 40% Federal. Cost of Equipment (G) \$10,000; salvage value, \$1,000; 6 years useful life.
September 15, 20XX	14	A parcel of land (B) is donated to the agency. The agency hires external appraisers and the appraiser values the land at \$12,000.
September 18, 20XX	15	The agency decides it no longer needs Equipment (D) and sells the piece of equipment to another State agency for \$575.

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**Procedures, Continued**

**FAACS  
Transaction  
Samples,  
continued**


Agency inputs (September) transaction submitted into FAACS

<b>Transaction Code</b>	<b>DEBIT</b>	<b>CREDIT</b>
(11) The agency enters the proper action and disposal code on FAACS Master File Maintenance— Edit an existing asset on Masterfile. The system will generate the following transactions.		
619 (11) Investment in General Fixed Assets Equipment (A)	5,000	5,000
625 (11) Accumulated Depreciation -Equipment (A) Investment in General Fixed Assets	166.66	166.66
N/A (12) Equipment (F) should be entered in FAACS as a capitalized asset since it meets the capitalization criteria. Since depreciation is not allowed to be recovered on assets fully funded with federal funds, an ownership status of “G” should be used.		
618 (12) Equipment (F) Investment in General Fixed Assets	6,000	6,000
618 (13) Equipment (G) Investment in General Fixed Assets	10,000	10,000

During indirect cost calculation the system will determine and flag for exclusion the percent of acquisition cost associated with federal funds.

612 (14) Land Investment in General Fixed Assets	12,000	12,000
N/A (15) The selling agency would fill in the disposal information to remove the asset from its active inventory reports. The system would generate the following entries:		
619 (15) Investment in General Fixed Assets Equipment (D)	750	750

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## Procedures, Continued


**FAACS  
Transaction  
Samples,  
continued**

Depreciation for the assets will be generated for September and totaled in the accumulated depreciation account.

	<b>Current Month</b>	<b>Current Year</b>	<b>Prior Years</b>	<b>Total</b>
Equipment (A) (Disposed of)	(166.66)	166.66	-	-
Building (A)	500.00	1,000.00	-	1,500.00
Equipment (B) Improvements	206.67 104.17	133.34 208.34	1,726.67 -	2,066.68 312.51
Equipment (C)	0.00	0.00	-	0.00
Equipment (D) (Disposed of)	(0.00)	0.00	-	-
Equipment (E)	83.33	83.33	-	166.66
Equipment (F)	166.67 <sup>(1)</sup>	-	-	166.67
Equipment (G)	<u>75.00</u> <sup>(2)</sup>	<u>-</u>	<u>-</u>	<u>75.00</u>
<b>Total</b>	<b><u>969.18</u></b>	<b><u>1,591.67</u></b>	<b><u>1,726.67</u></b>	<b><u>4,287.52</u></b>

<sup>(1)</sup> Since this asset was coded with an ownership code of **G** this depreciation will not be included for indirect cost recovery. It will however, be included for financial reporting purposes.

<sup>(2)</sup>  $\frac{10,000 - 1,000}{72 \text{ months}} = \frac{9000}{72} = \$125/\text{month} \times 60\% \text{ State} = \$75.00$

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## Internal Control

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### General

Each agency and institution should implement cost-beneficial internal control procedures to ensure that:

- All changes to capital assets are reviewed for reasonableness.
  - All reporting requirements set in the Comptroller's annual financial statement directive are met.
  - All federal reporting requirements are met.
  - Procedures exist to ensure depreciation on federally funded assets is excluded for indirect cost recovery.
  - All amounts reported on financial statements are fully reconciled to FAACS and Cardinal.
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## Records Retention


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### General

Records should be maintained for a period of at least three years or longer, if necessary, to be in compliance with policies established by the Records Management Section, The Library of Virginia. The retention period generally starts at the close of the fiscal period.



For pending, ongoing or unresolved litigation, audits or claims, retain documentation until completion, resolution or negotiation of settlements and retain according to standard schedules. Provide for the periodic destruction of records not subject to permanent deposit in accordance with policies and procedures established by the Records Management Section, Virginia State Library and Archives.

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## DOA Contact

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## Subject Cross References

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**References** CAPP Topic No. 20605, *Federal Grants Management*  
 CAPP Topic No. 30310, *Asset Categorization*  
 CAPP Topic No. 70325, *Data Entry*  
 CAPP Topic No. 70345, *Table Inquiry/Maintenance*

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