



LOS ANGELES UNIFIED SCHOOL DISTRICT POLICY BULLETIN

TITLE: Accounting for Supplies and Equipment Purchases

NUMBER: BUL-1158.2

ISSUER: V. Luis Buendia, Controller
Accounting and Disbursements Division

DATE: April 22, 2015

POLICY: Under the California School Accounting Manual (CSAM), expenditures are required to be classified by “objects” in order to provide consistency in financial reporting among school districts. An object refers to the type of item purchased or service obtained, such as instructional materials and teacher salaries. Additionally, the District is required to adhere to Government Accounting Standards Board Statement No. 34 to separately account for all fixed assets (land, buildings, equipment, etc.) and report depreciation on those assets accordingly. This bulletin explains the different asset classifications and new capitalization dollar thresholds. The distinction will ensure that equipment and other capital assets are captured correctly to comply with the new reporting requirements.

MAJOR CHANGES: This Bulletin replaces Bulletin No. BUL-1158.1 of the same subject, dated September 24, 2013. The content has been updated to eliminate capitalization of group purchases. The update also provides clarification on the different accounts used to purchase supplies and equipment and the corresponding dollar thresholds applicable for each, as well as a description of the procedures for acquiring capital equipment in the District’s SAP financial system.

GUIDELINES: The following guidelines apply.

CAPITAL ASSET DEFINITION

A capital asset is defined as real or personal property that has an estimated useful life of greater than one year and is acquired for use in operations and not for resale.

The dollar threshold to qualify items as “capital” assets is \$5,000 per individual unit. This is in line with Federal guidelines on allowability of expenditures, thus eliminating the need to have a separate threshold for items paid for with federal funds. Items costing less than \$5,000 but

ROUTING

All Employees
All Locations

greater than \$500 are considered noncapitalized equipment, and items costing \$500 or less are considered supplies.

Capitalization of assets below the \$5,000 threshold will apply for centrally-administered projects and is documented in the Project Capitalization Policy.

ACQUIRING CAPITAL EQUIPMENT IN THE SAP FINANCIAL SYSTEM

Certain product categories in the Shopping Cart have already been pre-identified as potential capital equipment. If these product categories are selected and the unit cost is \$5,000 or more, the system will prompt the user to change the account assignment to 'asset'. After the user changes the account assignment to 'asset', the system will automatically create the asset shell(s) and assign GL account 94XXXX to the purchase. If the unit cost is less than \$5,000, the system will default the account assignment to 'cost center' and the GL account to '440001'. User should accept the 'cost center' assignment. In the case of the GL account, user should accept 440001 if the unit cost exceeds \$500. If \$500 or less, user should change 440001 to the appropriate 4300XX GL account.

CRITERIA FOR DETERMINING APPROPRIATE ASSET CLASSIFICATION

Except as provided in the succeeding paragraphs, asset classification for supplies and equipment purchases shall be determined based on the characteristic of the item purchased and unit cost (all costs directly related to its acquisition, including expenditures incurred to place it in usable condition. This includes sales tax, freight charges and installation cost) using the following criteria:

- 1) Use the following asset General Ledger (GL) Accounts for equipment items with a unit cost of \$5,000 or more. These are considered "capital" equipment. These items will be budgeted in Commitment Item 640001.

Asset GL Account	Commitment Item	Account Name
944001	640001	Computers/Office and Business Machines
944011	630001	Books
944021	640001	Vehicles
944031	640001	Broadcasting/Library/Audio Visual/Communication Equipment

944041	640001	Reprographics Equipment
944051	640001	Athletic/Music/Science/Engineering Equipment
944061	640001	Food Services Equipment
944071	640001	Transportation/Custodial/Heavy Machinery
944081	640001	Furniture and Fixtures/Outdoor Equipment

Note: If the equipment is a replacement, the asset must be flagged as a replacement purchase. This can be done at the time the manufacturer, serial number, and building or room number information is entered on the asset master in SAP, after receipt of the item.

- 2) Use 440001 for items with a unit cost below \$5,000 but greater than \$500. These are considered noncapitalized equipment and are budgeted in Commitment Item 440001.
- 3) Use 4300XX for items with a unit cost of \$500 or less. These are considered supplies and are budgeted in Commitment Item 4300XX.

Attachment A provides a sample list of certain commodity items and their corresponding GL accounts. It also includes a glossary of technical terms used in this bulletin.

EQUIPMENT INVENTORY

Schools and offices are required to maintain an inventory of all equipment, both “capital” and “non-capital”. For further information, please refer to Accounting and Disbursements Division Bulletin No. BUL-953.1, Control of Site Equipment, dated August 23, 2010.

AUTHORITY

This is a policy of the Program and Capital Accounting Branch – Accounting and Disbursements Division.

RELATED RESOURCES:

Project Capitalization Policy - <http://goo.gl/XnI3bx>

ASSISTANCE:

For assistance or further information please contact Program and Capital Accounting Branch at (213) 241-7970.

LOS ANGELES UNIFIED SCHOOL DISTRICT
Accounting and Disbursements Division

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ATTACHMENT A

EXAMPLES OF ACCOUNT CODING FOR VARIOUS SUPPLIES/EQUIPMENT

COMMODITY ITEM	GL ACCOUNT	SAP COMMITMENT ITEM
Camcorder - \$458.50	Supplies - 4300XX	4300XX
Computer (for library) - \$1,308.00	Noncapital - 440001	440001
Cash Register - \$19,620.00	Asset - 944001	640001
Tire Changer - \$21,800.00	Asset - 944071	640001
LaserJet Printer - \$4,403.00	Noncapital - 440001	440001
Fax Machine - \$423.20	Supplies - 4300XX	4300XX
LCD Video Projector - \$5,668.00	Asset - 944031	640001
Library System Computer - \$8,720.00	Asset - 944031	640001
Refrigerator - \$20,710.00	Asset - 944061	640001
Light Service Truck - \$43,600.00	Asset - 944071	640001
Copier - \$18,530.00	Asset - 944001	640001

GLOSSARY OF TERMS

- **SAP** – Acronym for Systems, Applications and Products. It is the name of the software that replaced the District's Integrated Financial System (IFS).
- **GENERAL LEDGER (GL) ACCOUNT** – Represents the categories or classifications of assets, liabilities, fund equity, revenues and expenditures at the lowest level of detail necessary.
- **ASSET MASTER** – This is the asset record with all the relevant information such as description, funding line, manufacturer, serial number, physical location, etc. One asset master is identified with a unique asset number.
- **COMMITMENT ITEM** – this is the account code where items are budgeted.