

Equipment/Capital Outlay

To bring this guidance in line with the Department's Program Budgeting, Accounting, and Reporting System for Nebraska School Districts: User's Manual, the grants management system instructions have been changed.

Equipment is any instrument, machine, apparatus or set of articles that meets ALL of the following:

- a) Under normal conditions of use can be expected to last longer than a year,
- b) Does not lose its identity through fabrication or incorporation into a different or more complex unit,
- c) Is non-expendable (more feasible to repair the item than to replace),
- d) Retains its appearance and character through use,
- e) Is of significant value and , maybe
- f) Small and attractive

Operational equipment items costing \$5,000 or more must be capitalized (depreciated). In the grants management system, only equipment that has a unit cost of \$5,000 or more can be budgeted in Object Code 500 on the Budget Detail page for any program (NCLB, Career Ed, Early Childhood, etc.) The Program Budgeting, Accounting, and Reporting System for Nebraska School Districts Users Manual (Nebraska Department of Education, revised annually) is being revised to reflect this guidance.

Operational equipment items costing at least \$1,500 must be inventoried although it is prudent to inventory any equipment that meets the definition above. Recently auditors have added "small and attractive" to the definition of what equipment needs to be inventoried. Some federal programs have specific guidance regarding equipment itemization and inventory requirements.

Acquisition cost of an item of purchased equipment means the net invoice unit price of the equipment including the cost of modifications, accessories or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. Other charges such as cost of installation, transportation, taxes, duty or protective in-transit insurance shall be included or excluded from the unit acquisition cost in accordance with the grantee's regular accounting practice.

Some grant programs have specific requirements regarding the disposition of equipment purchased through a grant when that project ends. Contact the Department program staff for further information.

For the purposes of disposing or transferring equipment, current fair market value is determined by obtaining two signed bids from potential purchasers or two appraisals from authorized appraisers for the purpose of disposing of or transferring equipment. When the equipment is being traded in for like or similar equipment used in the same program for the same purpose, the trade in value constitutes the current fair market value of the traded in equipment.

All equipment purchased with state or federal funds must be in accordance with the regulations of the funding source. Some federal programs have specific prohibitions or limitations on equipment purchases. The equipment purchased must be reasonable and necessary to effectively operate the program.

An application for a grant may require a description of the need for equipment and how such equipment will be used. Equipment, as well as associated costs, must be included in an approved budget or amendment prior to purchase.

Lease purchases of equipment are authorized by some programs. Lease purchases that span more than one grant period are permissible. Costs can be recovered from more than one period of grant funds. The following provisions should be understood related to such situations:

- Documentation should be retained that substantiates the decision to enter into a lease purchase agreement rather than a direct purchase;
- Grant continuation cannot be guaranteed;
- Grant recipients must keep financial and programmatic records that document the disbursement of funds associated with the agreement; and
- Lease purchases must be budgeted as purchased services rather than equipment.

In the current State and Federal Grant Management Requirements and Guidance, <http://www.education.ne.gov/gms2/index.html> the Department established consistent guidance for defining and budgeting for equipment purchases for all state and federal grants.