

CRITERIA AND PROCEDURE

BROAD SUBJECT: Financial Management	NO: FM-01-09
TITLE: Depreciable Equipment	EFFECTIVE DATE: July 7, 2011

PURPOSE OF THIS CRITERIA/PROCEDURE –

The costs of depreciable equipment are allowable as costs of operating the state's School Nutrition Program (SNP). Depreciable equipment may be purchased from general funds or the school nutrition account 3100. The state's full cost accounting system provides for reporting - and thus capturing - the costs of depreciable equipment, regardless of the funding source. The total cost of meals, snacks, and non-reimbursable sales in School Nutrition Online (SNO) Application Management Reports includes this value.

It is strongly recommended that funds equal to 1 ½ - 2 months' average operating expenses remain in account 3100 after any expenditure for depreciable equipment. This amount is essential to:

1. Provide for adequate program supervision.
2. Ensure that schools can pay bills on time prior to the receipt of reimbursement.
3. Pay for the costs of new program requirements such as meal pattern changes and emergencies such as replacement of major equipment.
4. Decrease the probability that the general fund will need to subsidize the school nutrition fund in the future.

KEY TERMS AND DEFINITIONS –

Allowable Cost: This is defined as an amount as determined on cash, accrual, or other basis acceptable to the Federal awarding agency. Allowable costs are cited in 2 Code of Federal Regulations (CFR) Part 225 (OMB Circular A-87), Appendix A (http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fedreg/2005/083105_a87.pdf). A discussion of “selected items of cost” can be found in Attachment B, in 2 CFR Part 225. Equipment and other capital expenditures are allowable costs under item 19 of the circular. Capital expenditures, including equipment and other capital assets and improvement, are allowable as a direct cost when approved by the awarding agency. All expenditures must comply with procurement requirements of 7 CFR Part 3016.36.

Capital Expenditures: This is defined as net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose of which it is acquired. Delivery and installation costs are included in the acquisition costs reported on the DE 0804, and is also referred to herein as net acquisition costs.

Depreciation: A reasonable allowance for the deterioration, wear and tear, and obsolescence of nonexpendable equipment.

Depreciable Equipment: As of July 1, 1991, all school nutrition equipment that had a purchase price of \$5,000.00 or more is depreciable. There are three categories of depreciable equipment:

1. 12 – Year: Food production equipment. Non-expendable regular kitchen equipment, including food preparation, service, transportation and storage equipment.
2. 6 – year: Light weight trucks. Automotive equipment with empty weight more than 13,000 pounds.
3. 4 – year: Computers and vehicles. Computer equipment and automotive equipment with empty weight less than 13,000 pounds.

Expendable Equipment: This is defined as equipment other than nonexpendable equipment. Equipment with a useful life of one year or less or that has an acquisition cost of less than \$5,000.00.

Net Acquisition Costs: This is defined as the purchase price plus any additional costs incurred to install or deliver the nonexpendable equipment.

Nonexpendable Equipment: This is defined as the equipment that has a useful life of more than one year and a net acquisition cost of \$5,000.00 or more. For items that are used as a set, such as a table and chairs, depreciation should be assessed on the basis of the acquisition cost of the set rather than the cost of each piece.

Articles of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals the lesser of:

- (a) The capitalization level established by the governmental unit (local or state) for financial statement purposes, or,
- (b) \$5,000.00 if federal funds or \$1,000.00 or more per unit if state program funds. Depreciable items include new, used, or rebuilt depreciable equipment.

CRITERIA AND/OR PROCEDURES –

Prior Approval of Capital Expenditures: The Regional Office of United States Department of Agriculture (USDA), Food and Nutrition Service (FNS), has delegated approval authority to the Georgia Department of Education (GaDOE), the state agency. Some capital expenditures for depreciable equipment are approved herein by the state agency and do not require an additional request for approval. All others require prior approval from the state agency. Permission to use school nutrition program funds is herein granted by the grantor agency, GaDOE, for allowable pieces of depreciable equipment listed below.

Examples of depreciable equipment (valued at over \$5,000.00) routinely found in the operation of the program and approved for purchase as replacement or additional equipment in Georgia include but are not limited to the following list:

Food Preparation Equipment

Skillet	Steamer	Convey or Oven
Convection Oven	Ice machine	Air Fryer
Kettle	Mixer	Deep or Pressure
Fryer Combination Oven	Vertical Cutter Mixer	Hood Oven
Range		

Refrigeration and Storage Equipment

Refrigerators (reach-in)	Shelving	Freezers (reach-in)
Walk-in Coolers/Freezers		

Dishwashers, Sinks and Related Equipment

Dishwasher	Sinks	Waste Disposal	Compactor
Dish Table	Pulper	Booster Heater	Pot and Pan Washer

Serving and Dining Equipment

Point of Sale Automation	Milk Coolers/Dispensers
Serving Counters (Hot, Cold, Flat) mobile or stationary	

Transport Equipment

Cabinets/Carriers/Automotive
Vehicles

Office Equipment

Furniture	Automation/Hardware
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Funding Sources: The local board of education may apply for capital outlay funds for school renovation/modification projects; funding may be available for four pieces of foodservice equipment: hood, cooler/freezer, dishwasher, and serving lines. These must be identified specifically in the school district's five - year Facilities Plan (Educational Facilities Construction Plan). Funding for new schools is based on customary \$100.00 square footage cost that includes consideration of equipment.

Form DE 0804 Report: Net acquisition costs of depreciable equipment without regard to the source of funding (School Nutrition Program funds, school board general funds, capital projects funds, SPLOST (Special-Purpose Local-Option Sales Tax) funds, or donations) are to be reported on the DE 0804 in order for total costs to accurately reflect the value of depreciable equipment in use. If school board expenditures for depreciable equipment were previously reported on the DE 107, but not included in the value of depreciable equipment reported on the DE 0804, the value will not be calculated into costs. The DE 0804 must include the value of equipment purchased with school board funds (including costs of new equipment in new schools) in order to be reflected in per meal costs.

The total cost of meals must be reported, including the value of depreciable equipment purchased from other funds in order to accurately set adult sale prices and to plan for possible future expenses.

Time of Report: Depreciable equipment must be reported at least annually prior to filing the July DE 0106 claim and financial data to ensure that all equipment purchases, July through June, have been reported as expenses for the school year. Prior to reporting the total value of depreciable equipment (by type) on the DE 0804 form, purge the dollar value of fully depreciated equipment consistent with federal requirements (*see Annual Maintenance of Reported Value*, below). Every time the value of depreciable equipment is updated on the DE 0804 and submitted to GADOE, the depreciable equipment costs per meal will be re-calculated for all months in the school year (July through June) and reports may need to be reprinted.

Annual Maintenance of Reported Value: The value of depreciable equipment as reported on the DE 0804 must be adjusted to remove the acquisition cost (value) of equipment that is fully depreciated. For example, a commercial dishwasher with an acquisition cost of \$12,000.00 was purchased in February, 1994 and reported originally on the DE 0804, June, 1994. It will be fully depreciated twelve years after it was reported and is to be removed from the total depreciable equipment value as reported on the DE 0804, prior to filing the July 2007 DE 106 claim. Equipment inventory cards/records are the source of the original acquisition/reporting date and date of scheduled full depreciation. Prior to SY 1999 acquisitions were reported to GADOE only once per year. Now with the implementation of SNO, the original acquisition date should determine the reporting date. The reporting date will be used to determine the date an item is to be removed from the value posted to the DE 0804.

For equipment reported July, 1998 or thereafter, and reported monthly on the DE 0804, the value when fully depreciated will be purged in the month indicated.

Property Records: Costs for depreciation of equipment as reported on the DE 0804 must be supported by adequate property records. According to 2 CFR 225, physical inventories must be taken at least once every two years to ensure that assets exist and are in use. Equipment inventory records are required to be prepared for each piece of depreciable equipment. Records must reflect the:

1. Date of purchase (installation).
2. Net acquisition costs.
3. Date its value was posted to the DE 0804 in order to support the cost reported on the DE 0804.
4. The date of full depreciation for purging from the reported value.

Records Retention: Records for the full depreciation period shall be retained for five years after the end of the federal fiscal year during which an equipment item is fully depreciated. For example:

Four - year equipment	=	nine years retention
Six - year equipment	=	eleven years retention
Twelve -year equipment	=	seventeen years retention

The retention period is extended if records are involved in review or audit that remains open.

Consequences of Failure to Report: Failure to report the net acquisition costs for depreciable equipment on the DE 0804, Report of Depreciable Equipment, will result in costs of depreciable equipment not being included in the costs of lunch, breakfast, snacks, and non-reimbursable meals on the state reports. Reporting equipment expenditures on the DE 106 or school board expenditures for depreciable equipment on the DE 107 does not account for calculating these costs into the cost formulas for the meal reports.

AUTHORITY – FEDERAL

Title 7, Code of Federal Regulation Part 210.19

Title 7, Code of Federal Regulation Part 3015

Title 2, Code of Federal Regulations Part 225, Appendix A&B

Title 7, Code of Federal Regulations Part 3016.36

AUTHORITY - STATE

State Chart of Accounts