

Equipment Versus Supply

Criteria for Distinguishing Between Supply and Equipment Items

As a general guideline, if the individual unit cost of an item is \$1,000 or more and the useful life is estimated at more than one year, the purchase will be considered capital outlay, regardless of whether it is a replacement item or purchase of additional equipment. Current minimum per unit in Missouri is \$1,000; however, a district may establish a policy to use an individual unit cost of less than \$1,000 to determine capital outlay expenditures.

Equipment Items

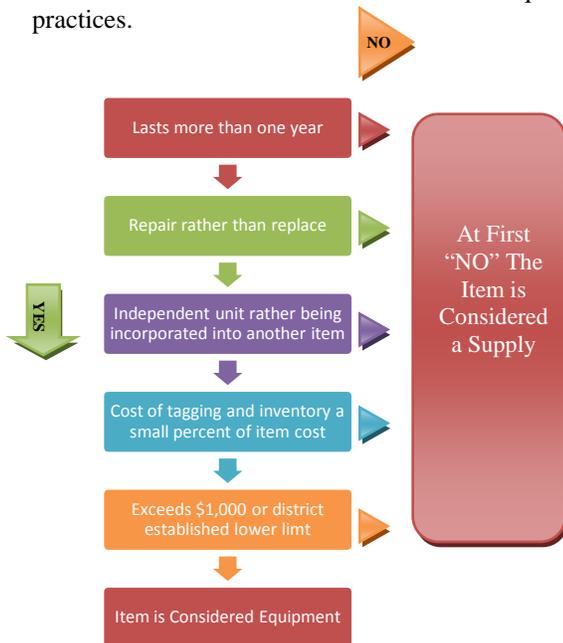
An equipment item is any instrument, machine, apparatus, or set of articles that meets all of the following criteria:

- Individual unit cost of an item is \$1,000 or more unless the district has established a policy to use an individual unit cost of less than \$1,000.
- It retains its original shape, appearance, and character with use.
- It does not lose its identity through fabrication or incorporation into a different or more complex unit or substance.
- It is nonexpendable, that is, if the item is damaged or some of its parts are lost or worn out, it is more feasible to repair the item than to replace it with an entirely new unit.
- Under normal conditions of use, including reasonable care and maintenance, it can be expected to serve its principal purpose for more than one year.

Differentiating Equipment and Supply Items via the Repair or Replace Criteria

Districts may also differentiate an equipment item from a supply item via the repair or replacement criteria. An equipment item is more likely to be repaired when some of its parts are worn out whereas the supply item is simply replaced.

Acquisition cost of equipment is the net invoice price of the equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose for which it was acquired. Other charges, such as the cost of installation, transportation, duty or protective in-transit insurance, shall be included or excluded from the unit acquisition cost in accordance with the district’s regular accounting practices.



Capitalization of Software

Computer software can be purchased, subscribed to, or internally generated. Software meeting the following criteria would be considered equipment and paid for out of the Capital Projects Fund:

- Software license that is bought that costs \$5,000 or more.
- Internally created software costing \$5,000 or more.

Software purchases costing less than \$5,000, licenses to software lasting less than a year are considered a supply and coded to the appropriate 64xx supply code. Annual maintenance agreements and subscription fees to access online programs are considered a purchased service and coded to a 63xx object code.

**Department of Elementary and Secondary Education
School Finance**

Equipment Versus Supply

Reserved for Future Use