

§ 95.707

equipment having a unit acquisition cost of \$25,000 or less may be claimed in the period acquired or depreciated, at the option of the State agency. Equipment having a unit acquisition cost of more than \$25,000 shall be depreciated. For purposes of this section, the term *depreciate* also includes use allowances computed in accordance with the cost principles prescribed in subpart Q of 45 CFR part 74.

(b) *Exceptions.* (1) Equipment purchased under service agreements with other State agencies and under cost-type contracts shall be depreciated. However, equipment having a unit acquisition cost of \$25,000 or less may be claimed in the period acquired if (a) the State agency approved the specific purchase and the claiming of the cost of the item, and (b) the contract or service agreement requires that the equipment or its residual value be transferred to the State agency when the equipment is no longer needed to carry out the work under the contract or service agreement.

(2) Reimbursement for ADP equipment having an acquisition cost in excess of \$25,000 and subject to subpart F of this part must be depreciated over its useful life unless otherwise specifically provided for by the Department. ADP equipment not subject to subpart F is subject to the requirements of this subpart.

§ 95.707 Equipment management and disposition.

(a) An item of equipment is subject to the property rules in subpart O of 45 CFR part 74 if the total cost of the item was claimed in the period acquired and if the item was accepted for Federal financial participation as a direct cost under a single program or program activity. These rules also apply to ADP equipment where the State agency was permitted under Subpart F of this part to claim the total cost of the equipment in the period acquired.

(b) Other items of equipment whose costs are claimed for Federal financial participation (i.e., equipment that is capitalized and depreciated or is claimed in the period acquired and charged to more than one program) are not subject to the specific require-

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ments in subpart O of 45 CFR part 74. However, the State agency is responsible for adequately managing the equipment, maintaining records on the equipment, and taking periodic physical inventories. Physical inventories may be made on the basis of statistical sampling. The following requirements apply to the disposition of this equipment:

(1) If the cost of the equipment was claimed in the period acquired and the equipment is later sold, the proceeds of the sale shall be credited to current expenditures in approximate proportion to the distribution of the equipment's cost.

(2) If the cost of the equipment was claimed in the period acquired and the equipment is later transferred to an activity which is not involved in the performance of programs currently or previously funded by the Federal Government, an amount equal to the fair market value of the equipment on the date of the transfer shall be credited to current expenditures in approximate proportion to the distribution of the equipment's costs.

(3) If the cost of the equipment was claimed in the period acquired and the equipment is later traded in on other equipment claims for Federal financial participation in the costs of replacement equipment shall be limited to the additional outlay.

(4) If the equipment was depreciated, any gain or loss on the disposition of the equipment shall be treated as a decrease or an increase to the depreciation expense of the period in which the disposition takes place. This provision does not apply to equipment whose costs were claimed for Federal financial participation through use allowances.

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