

**MISSISSIPPI LOTTERY CORPORATION
CHAPTER 11 – FINANCE POLICIES
11.4 CAPITALIZATION OF FIXED ASSETS POLICY**

Rule 11.4.01 PURPOSE

The purpose of these polices is to provide guidelines to ensure that all Mississippi Lottery Corporation (“MLC”) acquisitions of fixed assets are properly capitalized.

Rule 11.4.02 POLICY

A. It is the MLC’s policy to capitalize, as a fixed asset, any purchased item (tangible or intangible) that, on a per item basis, has an estimated useful life of one or more years. Generally, the items will have a value of \$5,000 or more, except those determined by the Vice President of Finance and Administration to require capitalization regardless of cost. Tangible fixed assets shall be defined as physical items acquired for use in operations, rather than resale, that are to be used for long-term purposes. (Examples: property, fixtures and equipment). Intangible assets shall be defined as nonphysical items used in daily operations of the business, such as computer software, patents, goodwill and leasehold improvements.

B. Currently, fixed assets belong to one (1) of the following categories:

| <u>Asset</u> | <u>Estimated Useful Life</u> |
|---------------------------------|---|
| 1. Furniture & Fixtures | 7 years (84 months) |
| 2. Computer Hardware | 5 years (60 months) |
| 3. Computer Software | 3 years (36 months) |
| 4. Vehicles (Cars) | 5 years (60 months) |
| 5. High Mileage Vehicles (Vans) | 3 years (36 months) |
| 6. Leasehold Improvements | Lease Term (or life of asset- whichever is shorter) |
| 7. Other Assets | 5 years (60 months) |
| 8. Capital Lease | Lease Term |

If a need for additional categories should arise, these new categories will be identified by the Vice President of Finance and Administration and added.

C. Fixed asset costs shall include all necessary expenditures to place the item in service. Sales tax, transportation charges, insurance on the asset while in transit, special foundations and installation costs should be added to the price of the related fixed asset.

D. All fixed assets will be depreciated on the straight-line basis (no salvage value) over the estimated useful lines. Depreciation will begin the month after the asset it is placed in service.