

Title of Manual: Mid-South Substance Abuse Commission Policy and Procedures			<b>Page 1 of 1</b>	
			<b>History</b>	
Policy Number: F008	Subject/Title: Capitalization Policy		<b>Last Approved:</b>	New
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## 1. POLICY

Mid-South shall have a policy that defines when an item should be included as a capital asset. Tangible, non-expendable personal property or equipment having a useful life of more than one (1) year and an acquisition cost of \$5,000 or more per unit will be recognized as a fixed asset. The asset will be properly recorded, maintained, and depreciated within the agency's accounting system.

## 2. PURPOSE

The purpose of this policy is to provide guidance as to when property or equipment purchased by Mid-South should be recorded as a fixed asset. This policy shall apply to all tangible non-expendable personal property or equipment purchased.

## 3. PROCEDURES

- 3.1. Expenditures for equipment and other fixed assets are expensed in the period acquired if their value is less than \$5,000.
- 3.2. Any capital asset equal to or greater than \$5,000 is recorded as an asset on the Balance Sheet and depreciation is calculated accordingly.
- 3.3. The Finance Manager is responsible for determining the estimated life and method of depreciation of a capitalized asset following generally accepted accounting principles.
- 3.4. Mid-South shall maintain a master inventory list of equipment that includes equipment tag number, description of the item, model number, serial number, and office location of the item. This list includes all equipment, regardless of purchase price.
- 3.5. On a routine basis, the Finance Manager prepares a Depreciation Expense Schedule that is used for financial presentation and audit purposes.

References:

None