

Chapter 30 – Fixed Assets

30.60 Fixed Asset Impairment and Insurance Recoveries

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30.60.10 Fixed Asset Impairment

Please notify the OSC liaison for your department as soon as you suspect the possibility of a Fixed Asset impairment.

GASB-42 defines fixed Asset impairment as “a significant unexpected decline in the service utility of a Fixed Asset.”

1. Evidence of physical damage to the degree that restoration efforts are needed to restore service utility.
2. Change in legal or environmental factors.
3. Technological developments or evidence of obsolescence.
4. A change in the manner or expected duration of usage of a fixed asset.
5. Construction stoppage due to a lack of funding.

This list is not all inclusive. Professional judgment must be used to identify other events or changes that give rise to fixed asset impairments.

GASB -42 provides for the testing of fixed asset impairment by determining whether both of the following factors are present:

1. The magnitude of the decline in service utility is significant
2. The decline in service utility is unexpected

30.60.20 Insurance Recoveries

Insurance recoveries related to impairment of fixed assets should be presented as follows.

In the governmental funds financial statements

- Restoration or replacement costs should be reported as an expenditure.

- Insurance recovery (if any) should be reported as either an other financing source or an extraordinary item.

In the government-wide and proprietary fund financial statements

- Restoration or replacement costs should be reported separately from the impairment loss and associated insurance recovery, if any.

If the loss and recovery occur in the same year.

- The impairment loss should be reported net of any insurance recovery, when the recovery is realized or realizable in the same year as the impairment loss.

If the loss and recovery occur in different years.

- Insurance recovery proceeds that are realized or realizable in a period subsequent to the recognition of the impairment loss, should be reported as program revenue, non-operating revenue, or an extraordinary item.