

Impairment of Capital Asset Acknowledgement Form

GASB Statement No. 42 "Accounting and Financial Reporting for Impairment of Capital Assets" requires Indiana University to evaluate events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment of a capital asset is a significant, unexpected decline in the service utility of a capital asset. The event or change in circumstances that lead to the impairment are not normal and ordinary and would not have been expected to occur during the life of the capital asset.

Indiana University has established a \$1M impairment materiality limit. The impairment is defined as the total cost to renovate, rebuild or replace the existing capital asset with an indicator of impairment. If any one of the below indicators of capital asset impairment have occurred, the Capital Asset Office should be notified. Indicators of impairment include:

1. Evidence of physical damage when the level of damage is such that restoration efforts are needed to restore the service utility. Examples include:

- a. Building with contamination such as mold or asbestos.
- b. Building with structural damage.
- c. Building with fire or flood damage.
- d. Machinery with fire, water or electrical damage.
- e. Art or Museum object with fire or water damage.
- f. Vandalism to a building or piece of machinery.
- g. Vandalism to an Art or Museum object.

2. Enactment or approval of laws, regulations or other changes in environmental factors. Examples include:

- a. New water quality standards that a water treatment plant does not meet.
- b. Underground storage tanks for fuel, water or sewer.
- c. Smoke emissions.

3. Technological development or evidence of obsolescence. Examples include:

- a. Equipment that is rarely used because newer equipment is more accurate.
- b. Underutilized mainframe computer.
- c. Underutilized magnetic resonance imaging (MRI) machine.
- d. Underutilized electric distribution systems.

4. A change in the manner or expected duration of usage of a capital asset. Examples include:

- a. School building now used for storage.
- b. Closure of a school prior to the end of its useful life.
- c. Stadium usage.

5. Construction stoppage. Examples include:

- a. Stoppage of construction of a building due to lack of funding.
- b. Stoppage of construction of a building due to a lawsuit.

6. No impairment to a capital asset has been found.

If any **one** of the above indicators of impairment has occurred and the total cost to renovate, rebuild or replace the existing capital asset is estimated to be \$1M or greater, the Capital Asset Office is required to test the capital asset for impairment. If an indicator of impairment is present and is not \$1M or greater but is significant to your organization, you may use this form to notify the Capital Asset Office.

Please indicate below the number of the capital asset impairment that has occurred. Number 6 has been included for no obligating event:

Indicator of Capital Asset Impairment: _____

Person to contact concerning the indicator of impairment: _____
_____.

Form completed by

Date completed

Please return this acknowledgement to Jim Adkins, Capital Asset Manager, Poplars, Room 437.