

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

401 Merritt 7, P.O. Box 5116, Norwalk, Connecticut 06856-5116 | 203-847-0700  
Fax: 203-849-9714



**Media Contact: Sheryl Thompson**  
**(203) 847-0700, ext. 268**

**For Immediate Release**

**Governmental Accounting Standards Board Issues Exposure Draft on  
Asset Impairment and Insurance Recoveries**

**Norwalk, CT, December 16, 2002**—The Governmental Accounting Standards Board (GASB) has published an Exposure Draft, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, that would require governments to report the effects of capital asset impairment in their financial statements when they occur. The proposed guidance also would enhance comparability of financial statements between governments by requiring all governments to account for insurance recoveries in the same manner. The comment period concludes on February 28, 2003.

In reflecting on the impact of the proposed accounting Statement, GASB Project Manager, Roberta E. Reese, stated "Capital assets represent the largest category of assets on the statement of net assets of most governments. The public has long expressed concern about the condition of those capital assets, especially roads and bridges, sewer and water systems, and schools. This change will ensure that government financial statements reflect the reduction in service capacity when impairment of capital assets occurs."

The proposed Statement would require governments to evaluate major events affecting capital assets to determine whether they are impaired. Those events include physical damage, changes in legal or environmental factors, technological changes or obsolescence, changes in manner or duration of usage and construction stoppage.

Impairment would be measured using the method that best reflects the value-in-use for the capital asset. The measurement methods in the proposed Statement include the restoration cost approach, the service units approach and deflated depreciated replacement cost. These measurement methods are designed to isolate the historical cost of the capital asset's service capacity that has been rendered unusable by impairment.

- MORE -

The proposed guidance includes several disclosure requirements that would assist users of financial statements in understanding the nature and impact of impairment of capital assets. Disclosures would be required for impairment losses that are not evident from the face of the financial statements, for impaired capital assets that are idle, and for insurance recoveries that are not evident from the face of the financial statements.

The effective date of the standard would be for fiscal years beginning after December 15, 2004. The Exposure Draft may be ordered by telephoning the GASB Order Department at 800-748-0659.

### **About the Governmental Accounting Standards Board (GASB)**

The GASB is the independent, not-for-profit organization formed in 1984 that establishes and improves financial accounting and reporting standards for state and local governments. Its seven members are drawn from the Board's diverse constituency, including preparers and auditors of government financial statements, users of those statements and members of the academic community. More information about the GASB can be found at its website at [www.gasb.org](http://www.gasb.org).

### **Governmental Accounting Standards Board...**

***Improving governmental accountability through better financial reporting.***

# # #