

VILLAGE OF BLOOMINGDALE

ACCOUNTING PROCEDURES FOR ACCIDENTS

I. **INTRODUCTION:**

In an effort to enable the Village to accurately record the expense and receivable activity associated with accidents resulting in damage to Village property, the following procedures shall apply. These procedures address damages that may be repaired by a third-party vendor or in-house. Each repair manner and its accompanying accounting procedures are detailed below.

II. **DAMAGE REPAIR:**

A. **Third-Party Vendor:**

The Purchase Order (PO) Requisition, initiated to pay a third-party vendor invoice, shall be coded with the general ledger account number 01-10365, entitled IRMA Claims Receivable. The PO Requisition shall seek approvals in the same manner as all other PO Requisitions and consistent with Village procedures.

B. **In-House, Using Village Equipment, Inventory and Staff:**

1. Immediately following completion of the repair work, a memorandum (Exhibit A) addressed to the Assistant Village Administrator shall be prepared by the Department/Division supervisor performing the repairs along with a copy of the applicable, completed work order form (Exhibit B). This memorandum shall detail all costs incurred during the repair and the general ledger account numbers associated with these costs. A copy of the memorandum and work order form shall be forwarded to the Village's Accountant.
 2. The work order form shall be completed by the Department/Division supervisor using direct hourly labor costs attributable to the repair and a cost for benefits, calculated as a percentage of the total labor cost. The Finance Department shall be responsible for maintaining this percentage at the start of each benefit plan year and notifying the respective Department Heads.
 3. Upon receipt of the memorandum from Step B-1, the Accountant shall prepare the appropriate journal entry to record the IRMA Claim Receivable.
 4. The journal entry to record the labor and benefit costs associated with the repair shall debit the IRMA Claims Receivable account (01-10365) and credit the appropriate fund with general ledger account number XX-50040 entitled Insurance Reimbursements, to recognize the revenue.
 5. The journal entry to record the materials, vehicle and equipment costs associated with the repair shall debit the IRMA Claims Receivable account (01-10365) and credit the associated expense account, as noted in the memorandum.
- C. Upon receipt of the IRMA insurance claim payment check, the Assistant Village Administrator shall code the check with the general ledger account number 01-10365 and it shall be receipted through the Village's cash receipt system by a Village cashier.

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III. Capital Asset Impairment:

- A.** If the accident resulted in damage to a Village capital asset, the Accountant shall make the necessary inquiries, in order to determine if the damaged capital asset shall be considered impaired pursuant to GASB Statement No. 42. Generally, the capital asset shall be considered impaired if **both** (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset.
- B.** If it is determined that the capital asset has not been impaired, no further action is required.
- C.** If it is determined that the capital asset has been impaired, the restoration cost method shall be used, in order to calculate the portion of the historical cost of the asset that has been impaired. If evidence is available to demonstrate that the impairment will be temporary, the capital asset shall not be written down.
- D.** The following procedures shall be used to calculate the amount of the impairment to the capital asset:
 - 1. Identify the damaged capital asset in the Village's fixed asset system, in order to determine its historical cost and carrying value (historical cost less accumulated depreciation).
 - 2. Determine the cost to restore the physical damage to the asset.
 - 3. Calculate a damage ratio by dividing the carrying value of the asset by its historical cost. Multiply this ratio by the restoration cost, in order to determine the restoration cost in acquisition year dollars.
 - 4. Divide the restoration cost in acquisition year dollars by the historical cost of the asset to determine the damage percentage. Multiply this percentage by the carrying value of the asset to determine the gross impairment loss.
 - 5. Subtract the IRMA insurance recovery payment from the gross impairment loss to determine the gain or loss on the capital asset impairment.
 - 6. This net impairment gain or loss (after insurance recoveries are applied) shall be recorded as a separate transaction for fixed asset recording.
 - 7. The description, amount, and financial statement classification of impairment losses, as well as, insurance recoveries shall be disclosed on the face of the financial statements or in the notes accompanying the statements. The Accountant shall maintain a file containing such documentation for the Village's annual audit.