Exhibit 1 – Asset Impairment Decision Process

STEP 1: Identify “potential” impairments to capital assets.

Objective: Identify population of capital assets with a significant, unexpected decline in service utility.

Evaluate events known during the routine course of business and significant events and circumstances over $500,000.

- Known by management from discussions by Regents, Senior Management or the media? No
  - Not part of population of “potential” impairment to capital assets.

- Yes
  - Prominent, conspicuous and not normal and ordinary? No
    - Not part of population of “potential” impairment to capital assets.
  
  - Yes
    - Determine whether any ONE indicator of impairment is present.

- Evidence of physical damage? No
  - Enactment of laws or regulations or other changes in environmental factors? No
    - Technological development or evidence of obsolescence? No
      - Change in manner or expected duration of use? No
        - Construction stoppage?

- Yes
  - Population of capital assets with “potential” impairment.

- Is the impairment permanent? No
  - Do not record as impairment loss. Disclose if asset is idle.

- Yes
  - Proceed to Step 2: Perform tests for impairment of capital assets.

- Not part of population of “potential” impairment to capital assets.
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STEP 2: Perform tests for impairment of capital assets.

Objective: Perform a test for impairment on each capital asset included in the final population of “potentially” impaired capital assets.

Is the decline in service utility unexpected?

- Yes: Proceed to Step 3: Measure the impairment.
- No: Do not measure or record an impairment loss.

Is the magnitude of the decline in service utility significant (≥$500,000)?

- Yes: Reduce the useful life in the EFA or AST on a prospective basis.
- No: Do not make adjustment to the useful life.

Is the remaining useful life of the capital asset appropriate?

- Yes: Reduce the useful life in the EFA or AST on a prospective basis.
- No: Do not make adjustment to the useful life.
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STEP 3: Measure the impairment of capital assets.

Objective: Perform a test for impairment on each capital asset included in the final population of “potentially” impaired capital assets.
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STEP 4: Record the impairment loss attributable to capital assets.

Objective: Determine the appropriate account to record the impairment loss.

Does the event that caused the loss meet the specific, narrow definition of unusual in nature or infrequent in occurrence?

Discuss circumstances with UT System Controller’s Office.

Does the event only meet the definition of unusual in nature?

Does the event only meet the definition of infrequent in occurrence?

Does the event meet both the definition of unusual in nature and infrequent in occurrence?

Is the event under the control of the university or university management?

Record an operating impairment loss. Provide appropriate footnote disclosure.

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Record an extraordinary impairment loss (VERY RARE). Provide appropriate footnote disclosure.

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