



**ITEM ID:** 2026-157-0

**TRANSMITTAL DATE:** April 17, 2026

**MEETING DATE:** April 24, 2026

**TO:** Board of Directors

**FROM:** Tom Schamber, Chief Financial Officer

**SUBJECT:** Adoption of Revised Finance Policy - FIN 4.1 - Fixed Assets

**Issue**

Staff is proposing an update to Accounting Policy FIN 4.1 – Fixed Assets to incorporate guidance on the impairment of fixed assets and the accounting treatment of insurance recoveries associated with impaired fixed assets, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 42.

**Recommendation**

It is recommended that the Board approve revisions to Finance Policy FIN 4.1 - Fixed Assets.

**Strategic Commitment**

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees. This action aligns with the strategic goal to modernize business practices through clarification, streamlining, and addressing audit findings related to the Authority's General Accounting policies.

**Background**

Metrolink manages a portfolio of fixed assets—including rail infrastructure, rolling stock, facilities, equipment, and technology systems—that are essential to the delivery of commuter

rail services. Due to the nature and scale of these assets, they may be subject to impairment resulting from events such as physical damage, natural disasters, technological obsolescence, or other significant and unexpected circumstances that affect their service utility.

When such events occur, Metrolink must evaluate whether the carrying value of the affected asset exceeds its remaining service utility and recognize an impairment loss when appropriate. In certain instances, impairment events may also give rise to insurance claims. As a result, Metrolink may subsequently receive insurance proceeds intended to compensate for all or a portion of the loss in value. Proper accounting treatment requires that impairment losses and related insurance recoveries be evaluated and recorded in accordance with GASB pronouncements, ensuring accurate financial reporting and appropriate management oversight.

### **Discussion**

The proposed revision to FIN 4.1 – Fixed Assets results from an external audit finding indicating that the Authority must strengthen management oversight and controls related to insurance proceeds and the corresponding revenue recognized in connection with impaired fixed assets.

The revision clarifies the criteria for determining asset impairment and establishes guidance for the recognition of revenue associated with insurance proceeds received for impaired assets.

### **Budget Impact**

There is no budgetary impact as a result of this report.

### **Next Steps**

This policy will be effective following the approval of this report.

Prepared by: Alex Barber, Assistant Director, Finance

Approved by: Tom Schamber, Chief Financial Officer

### **Attachment(s)**

[Attachment A - FIN 4.1 - Fixed Assets - Clean](#)  
[Attachment B - FIN 4.1 - Fixed Assets - Red Line](#)  
[Presentation - FIN 4.1 - Fixed Assets](#)