UNIVERSITY OF THE VIRGIN ISLANDS
BOARD OF TRUSTEES RESOLUTION
IMPAIRMENT OF ASSETS

Purpose: To approve a University policy that addresses impairment of capital assets and insurance recoveries with respect to investment in plant.

WHEREAS, as of October 1, 2005, the University is required to adopt Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries; and

WHEREAS, GASB Statement No. 42 addresses the potential overstatement of an organization’s capital assets; and

WHEREAS, capital assets are the most substantial component of the University’s Statement of Net Assets; and

WHEREAS, GASB Statement No. 42, paragraph 5 defines asset impairment as “a significant, unexpected decline in the services utility of a capital asset.” The events or changes in circumstances that lead to the impairments are not considered to be normal and ordinary; and

WHEREAS, the University considers an unexpected event one which becomes known to the University’s financial and senior management and, or the media. The events and circumstances are prominent, conspicuous and are not considered to be normal and ordinary; and

WHEREAS, the longer the life of a capital asset, the greater the possibility that unexpected events may affect the service utility of the capital asset and therefore the financial statements could be misstated for a number of years; and

WHEREAS, the University’s focus will be on identifying events and circumstances that may lead to potential impairments that are in excess of $1.0 million, unless materiality warrant review at a lower threshold for a particular location; and

WHEREAS, restoration or replacement of an impaired capital asset should be reported as a separate transaction from the impairment loss and associated insurance recovery; and

WHEREAS, insurance recoveries should only be recognized when either realized or realizable; and

WHEREAS, as a public institution, the University must demonstrate prudent use of the funds entrusted to it by its various constituencies. This policy is designed to promote stewardship of the University’s resources and to protect the interests of the University’s funding sources.
NOW THEREFORE BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE UNIVERSITY:

Section 1. That the Board of Trustees of the University of the Virgin Islands hereby authorizes and approves effective October 1, 2005 the impairment threshold for capital assets for reporting purposes at $1.0 million.

Section 2. That the Board of Trustees of the University of the Virgin Islands authorizes the President and Vice-President for Administration and Finance to take the necessary action to implement the foregoing policy with respect to impairment of assets and insurance recoveries.

Section 3. That this resolution shall be in full force and effect from and after its adoption.

CERTIFICATION

The undersigned do hereby certify that the foregoing is a true and exact copy of a resolution of the Board of Trustees of the University of the Virgin Islands and adopted at its meeting on March 11, 2006 as recorded in the minutes of said meeting.

[Signatures]

Secretary of the Board

Date

Chairman of the Board

3-14-06