

UNIVERSITY OF THE VIRGIN ISLANDS
BOARD OF TRUSTEES RESOLUTION
CAPITALIZATION THRESHOLD

Purpose: The University's capitalization threshold amounts will be determined based on capital category effective October 1, 2003, as outlined in this resolution.

WHEREAS, the University reports under the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements- and Management's Discussion and Analysis- for Public Colleges and Universities*; and

WHEREAS, GASB concedes that different thresholds may be appropriate for different types of capital assets. For example, the capitalization threshold for infrastructure assets would probably be higher than the threshold used for vehicles or office equipment; and

WHEREAS, on July 29, 1995, the Office of Management and Budget (OMB) issued a memorandum entitled "Equipment Capitalization Threshold Waivers under OMB Cost Principles Circulars for Universities and Non-Profit Organizations." That memorandum authorized Federal agencies with cost negotiation cognizance to increase the equipment capitalization threshold from \$500 to \$5,000. On May 8, 1996, OMB revised OMB Circular A-21's definition of equipment. A-21 now defines "equipment" as an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost that equals or exceeds the lesser of the capitalization level established by the University for financial statement purposes, or \$5,000; and

WHEREAS, The University expects the higher capitalization level to produce administrative efficiencies by reducing significantly the accounting and record keeping requirements; and

WHEREAS, for the past several years the OMB Circular A-133 Audit Report has cited control weaknesses in the management of the equipment inventory. The higher capitalization threshold will reduce University exposure with the Federal government in this area; and

WHEREAS, The University will not remove fixed assets from its accounting and reporting system as a result of the change in the threshold. Items bought prior to October 1, 2003 with a value of \$500 or more per unit, will also be considered capital assets; and

WHEREAS, changing the capitalization level will not have an adverse effect to the indirect cost charged due to the fact the University assesses indirect cost on a Modified Total Direct Cost base which includes salaries and benefits only; 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; and

WHEREAS, Land is defined as the solid part of the surface of the earth; and

WHEREAS, Land Improvements are defined as expenditures for improvements to the land, other than buildings or infrastructure, that ready land for its intended use. Examples include site excavations and improvements; removal or reconstruction of others' property; retaining walls; fencing and landscaping; and

WHEREAS, Buildings are defined as a structure that has a roof and walls and stands more or less permanently in one place; and

WHEREAS, Infrastructure assets can be defined as groups of assets which together form an integrated system. Such a system could not be effectively operated if individual components were removed. Systems typically considered in this context include gas, water, railways and roads as well as electricity distribution systems; and

WHEREAS, Capital machinery and equipment is defined as any moveable, nonexpendable personal property equipment item, not permanently affixed to a building, with a life expectancy of more than one year and an acquisition cost of \$2,500 or more per unit. This includes improvements that increases the value or extends the useful life of equipment; and

WHEREAS, to be part of a Collection that is not capitalized, the assets must be (Statement of Financial Accounting Standards (SFAS) No. 116): held for public exhibition, education, or research rather than held for financial gain.; protected, preserved, and not used as collateral or otherwise encumbered; and subject to a policy that requires the proceeds of collection items that are sold to be used to acquire new collection item(s); and

WHEREAS, Library Collections are purchases of books, bound periodicals, microfilm, or other library items if they are part of the formal University catalogued library and have a useful life of greater than one year. Library items acquired by gift are valued at fair market value. Deletions are valued at annually adjusted average cost per volume and are assumed to be fully depreciated; and

WHEREAS, Colleges and universities must capitalize the costs of computer software developed or obtained for internal uses, it is the intent of the University of the Virgin Islands to limit the capitalization of computer software to institutionally significant systems. Operating systems software installed by the manufacturer with a computer is capitalized as part of the computer. Computer software purchased or developed to be sold, leased or otherwise marketed will be capitalized in compliance with Statement of Financial Accounting Standards (SFAS) No. 86, *Accounting for the Cost of Computer Software to be Sold, Leased or Otherwise Marketed*.

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, 2003 the following capitalization thresholds by category as follows:


Description	Capitalized Threshold	Comments
Land	0.00	All land will be capitalized at cost or if donated at fair market value on date of transfer.
Land Improvements	0.00	All Land Improvements will be capitalized at cost or if donated at fair market value on date of transfer.
New Buildings	0.00	New Construction will be capitalized at cost
Additions and Renovations of Buildings	10,000.00	Maintenance and Repairs will not be capitalized
Infrastructure	10,000.00	Maintenance and Repairs will not be capitalized
Machinery & Equipment	2,500.00	Items under this threshold may be added to University inventory records for stewardship purposes as deemed necessary by the Purchasing Manager and the VP of Finance and Administration.
Collections	N/A	Not capitalized
Library Collection	0.00	All Library Collections are capitalized at cost or if donated at fair market value on date of transfer.
Computer Software	50,000.00	

Section 2. That the Board of Trustees of the University of the Virgin Islands authorizes the President and Vice-President for Administration and Finance Affairs to take the necessary action to implement the foregoing schedule of capitalization thresholds.

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

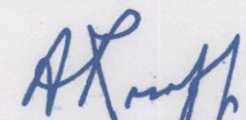
CERTIFICATION

The undersigned does 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 Saturday, June 19, 2004 as recorded in the minutes of said meeting.



 Secretary of the Board

Jun 22, 2004
 Date



 Chairman of the Board

6/22/2004
 Date