POLICY STATEMENT

The University of North Dakota (UND) requires a minimum threshold to capitalize fabricated equipment of $5,000. When a completed item of fabricated equipment has an aggregate cost of $5,000 or more, is projected to be used in operations outside the original fabrication for more than one year, is expected to be a completed fabricated asset within two years from start date, and is considered property of UND, it can be capitalized as equipment.

REASON FOR POLICY

As specified by the North Dakota University System accounting manual, the cost of fabricated equipment includes all direct costs associated with the fabrication and installation of the item. Due to the significant link between research projects and fabrications at UND, fabricated equipment and enhancements must have planned use by the institution, outside of the fabrication project, of more than one year after completion in order to capitalize the equipment. This will assist in research expenses not being mistakenly capitalized.

SCOPE OF POLICY

This policy applies to:

- President
- Vice Presidents
- Deans, Directors & Department Heads
- Area Managers & Supervisors
- Faculty
- Staff
- Students
- Others __________________________

RELATED INFORMATION

<table>
<thead>
<tr>
<th>Governmental Accounting Standards Board</th>
<th><a href="http://www.gasb.org">http://www.gasb.org</a></th>
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DEFINITIONS

<table>
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<th>Definition</th>
<th>Description</th>
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<td>Fabricated Equipment</td>
<td>An item of equipment that is built or assembled from individual parts.</td>
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<td>PI</td>
<td>Principal investigator</td>
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PRINCIPLES

OVERVIEW – UND’s minimum threshold to capitalize fabricated equipment is $5,000. When a completed item of fabricated equipment has an aggregate cost of $5,000 or more, is projected to be used in operations outside of the original fabrication for more than one year, is expected to be a completed fabricated asset within two years from start date, and is considered property of UND, it is capitalized as equipment upon completion.

If a fabricated asset is not complete after two years, written authorization must be on file with Asset Management allowing the fabrication to extend beyond two years.

This policy is intended for instances of original fabrication of equipment and subsequent significant modifications or enhancements and is used to capitalize the fabricated equipment.

Subsequent modifications or enhancements are considered fabrications when the cost is greater than $5,000 and the modification materially enhances the usefulness of the capitalized equipment and/or significantly extends the life of the equipment. If the modification or enhancement does not extend the life but enhances its usefulness, the department must make Asset Management aware so the depreciable life is life expectancy, rather than the default depreciable life for research equipment.

A fabrication is considered property of UND if it is probable that title will be received based on history with that agency, unless title is addressed specifically in a written agreement. Ownership of the fabricated equipment must rest with the University to be capitalized.

Fabricated equipment and enhancements must have planned use by the institution of more than one year after completion in order to capitalize the equipment. This will assist in research expenses not being mistakenly capitalized.

PROCEDURES

Fabricated equipment must be identified prior to the acquisition of component parts or services related to the fabrication. A request for fabrication form must be submitted to Asset Management two-weeks prior to the start date of a fabrication. Asset management will issue a tag number related to the fabrication, which will be used to identify the asset upon completion.

Fabrication costs include the cost of its components plus all materials, labor, supplies, and services from outside vendors or internal recharge centers. Direct labor charged to research projects will not be capitalized.
Capitalized fabrication costs must be charged to account, 691020, equipment fabrication. Non-capitalized fabrication costs are charged to account 691085, non-owned equip/fabrication. It is the responsibility of the department to maintain a record of all items coded to the fabrication and to provide asset management with this information.

The asset tag number assigned to the fabrication must be referenced in all acquisitions for the fabrication. When the fabrication is complete, the principal investigator (PI) or representative of the PI must fill out a completion of fabrication notification form and send it to Asset Management.

Departments are responsible for tracking the progress of equipment fabrications and working with Asset Management to close the fabrication and capitalize as equipment when complete. Asset Management will contact the department if a fabrication is approaching two years of fabrication duration. On the rare occasion that fabrication time is expected to exceed two years, departments must provide justification to Asset Management for approval.

Upon completion of the fabricated capital asset, the fabrication costs will be transferred from the fabrication account to major equipment and will be depreciated using the straight-line method over the pre-defined useful life of the fabricated piece of equipment.

In addition, asset management will annually review capital equipment that originated as a fabrication that was disposed of in that fiscal year. This will demonstrate compliance or non-compliance with assets being used in operations for greater than one year after the fabrication is complete.

RESPONSIBILITIES

| Departments | • Responsible for submitting a fabrication request to Asset Management at least two weeks prior to the start date of the fabrication.  
• Responsible for coding the fabrication to the correct account code.  
• Responsible for noting the fabrication tag number on every invoice related to the fabrication and providing asset management with these expenditures monthly.  
• Responsible for informing asset management when the fabrication is complete and filling out the completion of fabrication form. |
|---|---|
| Asset Management | • Capture the fabrication costs until the fabrication is complete  
• Record the completed equipment as a capital asset and depreciate over the pre-defined useful life of the fabricated equipment. |

FORMS

| Request for Fabrication | [http://UND.edu/finance-operations/asset-management/forms.cfm](http://UND.edu/finance-operations/asset-management/forms.cfm) |
| Completion of Fabrication Notification | [http://UND.edu/finance-operations/asset-management/forms.cfm](http://UND.edu/finance-operations/asset-management/forms.cfm) |

Attachments: