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**San Bernardino Community College District**  
**Administrative Procedure**  
Chapter 6 – Business and Fiscal Affairs

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**AP 6500 PROPERTY MANAGEMENT**

*(Replaces current SBCCD AP 6500)*

The Chief Business Officer shall be responsible for supervising acquisitions of real property, including appraisals and valuations of real property and improvements; securing title insurance policies; dedications or conveyance of easements; vacation of streets and alleys, street lighting and other special assessments; and the condemnation of real property.

All District property shall be accounted for through the use of appropriate records and inventory procedures. Deeds shall be properly recorded and safeguarded. All equipment shall be assigned a property control number upon receipt and its location recorded.

**A. Marking and Identifying Capital Assets**

Mark all inventorial capital assets upon receipt and acceptance to identify that the property belongs to the District. This identification should facilitate accounting for the asset, aid in its identification, and discourage theft.

Responsibility for controlling capital asset control numbers rests with the Receiving Department Supervisor. They are to ensure that the stickers are adequately controlled.

Upon receipt of the capital asset, the Receiving Department or the appropriate designated employee should match the asset to its Purchase Order, tag it with a bar code sticker, and note the following:

- Asset number
- Description
- Room located
- Quantity
- Original unit cost
- Manufacturer
- Model

- 44 • Serial number
- 45 • New, used, or donated
- 46 • Date placed in service
- 47 • Life span / sub program
- 48 • Classification

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## 50 **B. Federal/State Grant Requirements**

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52 Employees who purchase equipment under a federal or state grant must be  
53 aware of the federal and state inventory control requirements. Each grant should  
54 be reviewed for specific requirements on asset ownership.

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## 56 **C. Use of College Equipment**

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### 58 1. Authorization

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60 District-owned equipment shall not be removed from any District facility  
61 except with written permission of the college president, Chancellor, or  
62 designee.

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### 64 2. Responsibility

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66 Any individual who removes District-owned property assumes personal  
67 liability for repair or replacement of such equipment in the event of damage or  
68 theft.

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## 70 **D. Capital Facilities**

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### 72 1. Space Utilization

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74 A space inventory report shall be prepared each year by the Facilities  
75 Planning and Administrative Services Office and submitted to the State  
76 Chancellor's Office according to their requirements and specifications.

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### 78 2. Capital Facilities Planning

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80 The Facilities Planning and Administrative Services Office is responsible for  
81 planning, design coordination, and preparation of contract specifications for  
82 all major facilities. A Five-Year Capital Facilities Plan shall be prepared each  
83 year by Facilities Planning and Administrative Services and submitted to the  
84 State Chancellor's Office. The plan shall reflect the priorities of the Board-  
85 approved District Facilities Master Plan.

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### 87 3. Capital Facilities Construction

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89 The Facilities Planning and Administrative Services Office shall coordinate  
efforts in facilities design between the architectural staff and college users,

coordinate building plan development, bidding and selection procedures, and oversee construction management, inspection and contract administration.

## E. Capital Asset Management

The Purpose of a capital asset inventory system is: 1) to provide control and accountability over capital assets, and 2) to gather and maintain information needed for the preparation of financial statements. The following policies are the minimum requirements for capital assets that the District must meet. These procedures are in compliance with BAM and GAAP.

### 1. Capital Assets Defined

Capital assets include: land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, easements, and works of art and historical treasures. They are to be reported and, with certain exceptions, depreciated in the government-wide financial statements.

### 2. When to capitalize assets

Capitalize all land and all other capital assets when the acquisition exceeds the following thresholds:

Table 1

Capitalization Thresholds Asset Classification	Tracking and Inventory	Capitalize and Depreciate
Land	1	Capitalize Only
Land Improvements	1	25,000
Building	1	50,000
Building Improvements	1	50,000
Construction in Progress	1	Capitalize Only
Machinery and Equipment	1,000	5,000
Vehicle	1,000	5,000

### 3. New Acquisitions: Capitalize new assets, which meet the thresholds stated above and are not additions, improvements, repairs or replacements to existing capital assets.

Extraordinary repairs, betterments, or improvements: Capitalize assets that increase future benefits from an existing capital asset beyond its previously assessed standard of performance if they exceed the thresholds stated in Table 1. Capitalizable leasehold improvements are classified within the commodity class major group "Building or Land Improvements." Increased future benefits typically include an extension in the estimated useful life of the

126 asset, an increase in the capacity of an existing capital asset or a substantial  
127 improvement in the quality of output or a reduction in previously assessed  
128 operating costs.

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130 **4. Replacement:** Capitalize the acquisition of a capital asset to replace a part of  
131 another asset when the cost of the replacement exceeds the thresholds  
132 stated in Table 1. The following exceptions apply: Replacement of roof  
133 coverings is not capitalized unless the replacement extends the useful life of  
134 the building.

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136 Replacement floor coverings and window coverings are not capitalized.  
137 Costs to remodel a building to a different use, where the remodeling does not  
138 extend the useful life of the structure itself, are not capitalized.

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140 Remove the cost and accumulated depreciation of the replaced asset from  
141 the accounting records if the amounts are determinable and the replacement  
142 is capitalized.

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144 **5. Additions:** Capitalize expansions of or extensions to an existing building  
145 capitalized capital asset that cost more than the thresholds stated in Table 1.  
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#### 147 **F. Capital Asset Value Determination**

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149 **1. Purchased Assets:** Use the historical costs including all applicable taxes and  
150 all appropriate ancillary costs less any trade discounts or rebates. If such  
151 information is not available, use the estimated costs.

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153 **2. Land Assets:** The capitalized value is to include the purchase price plus  
154 costs such as legal fees, filing fees, excavation costs incurred, and any other  
155 additional costs incurred to put the land in condition for its intended use.

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157 **3. Building Costs:** Include both acquisition and capital improvement costs.  
158 Capital improvements include structures and all other property permanently  
159 attached to, or an integral part of the structure.

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161 **4. Equipment, Furniture, or Fixtures:** Include those assets that are not  
162 considered to be capital improvements and should be valued at the actual or  
163 reasonably estimated cost.

164  
165 Include the cost of extended maintenance/warranty contracts in the asset  
166 valuation if the contract is purchased at the same time as the capital asset.  
167 Depreciate these contracts over the useful life of the asset. Do not capitalize  
168 the payments for contracts not purchased at the same time as the capital  
169 asset.

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171 5. Self-Constructed Assets: Include all direct costs associated with the  
 172 construction project. Agency project management costs may be capitalized in  
 173 one of two ways: 1) use the actual project management costs when they are  
 174 discernible and directly associated with the project; or 2) apply a percentage  
 175 of total budgeted project costs. The application rate may or may not be  
 176 designed to recover total agency project management costs.

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 178 **G. Capital Leases**

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 180 A capital lease is a lease that transfers substantially all the benefits and risks of  
 181 ownership to SBCCD. A lease must meet one or more of the following four  
 182 criteria to qualify as a capital lease:

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- 184 1. Ownership of the leased property is transferred to the District at the end of the  
 185 lease term;
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- 187 2. The lease contains a bargain purchase option;
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- 189 3. The lease term is equal or greater than 75% of the estimated useful life of the  
 190 property;
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- 192 4. The present value of the future minimum lease payments is 90% or more of  
 193 the fair market value of the leased property.

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 195 Account for capital leases with a net present value of the future minimum  
 196 lease payments or fair value, whichever is less, but exceeding thresholds  
 197 stated in Table 1 as an acquisition of a capitalized asset and the incurrence of  
 198 a liability.

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 200 **H. Depreciation Policy**

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 202 Depreciation begins when an asset is placed in service. Depreciation is to be  
 203 calculated using the straight-line method. To calculate depreciation using this  
 204 method:

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$$\text{Annual Depreciation} = \text{Cost} - \text{Salvage Value}$$

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 208 Asset's useful life  
 209 Useful Life for Capital Assets

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 211 Table 2

Asset Class	Useful Lives (years)
Furniture & Equipment	8
Computer and Technology Equipment	3
Buildings and Building Improvements	50

Landscaping	10
Musical Instruments	10
Outdoor Equipment	20
Portable Classroom	15
Software	8
Vehicles	8

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**I. Transferring Capital Assets Between Departments and Retiring Capital Assets from the Inventory**

When custody of an asset is transferred between departments it is the transferring department's responsibility to notify the Receiving Department Supervisor so that they may update the capital asset listing.

It is the Receiving Department Supervisor's responsibility to record all retirements on the appropriate schedule and submit a listing to the Purchasing Department. This list is then forwarded to the Board of Trustees for approval.

**J. Lost or Stolen Property**

When suspected or known losses of capital assets occur, departments should conduct a search for the missing property. The search should include transfers to other departments and possible declaration of surplus. If the missing property is not found:

1. Notify the Business Manager and file a Police Report
2. Have the individual deemed to be primarily responsible for the asset, as well as that individual's supervisor, complete and sign a statement detailing the events surrounding the disappearance of the asset
3. Remove the missing asset from the District's Capital Asset Listing
4. Maintain records of the missing capital asset

References: Education Code Sections 70902 and 81300 et seq.

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**Approved: 8/5/05**

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