FASOM - Section 8.05: Fixed Assets - Rededication of Facilities

Section 08.05: Fixed Assets -- Rededication of Facilities

The content of this policy has not yet been transitioned to the new Fiscal Policy format.

This will be accomplished as time and resources permit.

A. Rededication of Physical Facilities

Whenever buildings, other facilities or land are rededicated for uses different from those for which they were constructed or acquired, the appropriate bond sinking fund reserves are adjusted as described in this section.

Rededication proposals are coordinated with the Office of Facilities Planning and must be approved by OSBHE.

B. References

Further information can be obtained from the following sources:

- ORS 351.460(3), Higher Education Bond Sinking Fund
- IMD 7.010, Rededication of Physical Facilities

C. Adjustments on Rededication of Buildings and Other Facilities

[1] Buildings and Facilities 30 Years Old or Older

No adjustment is required except for improvements and additions (see FASOM 08.05E).


[a] If a building or facility is sold for cash, the adjustment equals the capitalized value less depreciation (2% per year for the first 10 years and 4% per year thereafter). Adjustments are added for improvements and additions (see FASOM 08.05E). The amount of the adjustment may be no less than the balance of any bonded indebtedness incurred for that building or facility. (This does not apply to student residence halls and food service units, for which the debt service requirements are consolidated on a system-wide basis.)

[b] If a building or facility is sold on contract or leased, the annual rent or payment must equal to the annual debt service requirement applicable to that building or facility. Payments for sold
buildings and facilities are made for a period of time equal to the difference between the property's age and the term of the bonds used to finance construction or acquisition. (E.g., if the building is 20 years old, and the term of bonds used to construct or acquire the building is 30 years, payments are made for 10 years).

[3] Exceptions to Guidelines

Exceptions to the guidelines in FASOM 08.05C[1] through 08.05C[3] may be necessary or desirable in the following circumstances:

- When gift or grant funds were used to finance all or part of the building or facility, subject to special conditions or obligations
- When major rehabilitation or remodeling of the building or facility has been undertaken (see FASOM 08.05D).

D. Adjustment on Rededication of Land

[1] General

Prior to July 1, 1963, all land purchases were financed from General Fund sources. Since July 1, 1963, policy has required that acquisitions of land for future sites of residence halls or other buildings and facilities of self-sustaining auxiliary enterprises be financed from auxiliary activity earnings, building fees or the proceeds of bond issues secured by such reserves.

[2] Land Purchased Before July 1, 1963

If the property was purchased prior to July 1, 1963, no adjustment is required.

[3] Land Purchased After July 1, 1963

[a] The transferred amount is equal to the original value of the property plus interest at the rate prevailing at the time of original purchase. The prevailing rate of interest is the composite rate for the particular bond issue used to acquire the property. If the property is acquired from building fees or sinking fund reserves, the interest rate used in the calculation is the cumulative composite interest rate for all bonds. There is no compounding of interest over a period of years.

[b] The original value of the property may be adjusted if it includes both land and buildings. If the building is to be razed immediately, the property's entire purchase price is allocated to the land. If property improvements are not immediately demolished, value assigned to the improvement is amortized over a 10-year period (e.g. If a building is razed 7 years after the property is acquired, three-tenths of the building's value is added to the original land cost).

E. Improvements and Additions
When a building no longer needed for its original or modified purpose is rededicated, adjustments to bond sinking fund reserves are made for improvements or additions that cost $10,000 or more and were completed during the previous 30 years. As with new construction, such improvements and additions are amortized over a 30-year period from the date of completion. Depreciation is at 2% per year for the first 10 years and 4% per year thereafter.

The adjustment is the capitalized amount of the improvement or addition less depreciation. Separate adjustments are calculated for each project. The total adjustment for a building or facility is the sum of the following:

- The adjustment calculated for the original capitalized value of a building or facility under 30 years old
- The adjustments calculated for additions and improvements that cost $10,000 or more.

Note: This electronic document supersedes all previous versions and is subject to change.

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