



## **PLANCON**

### **PART J: PROJECT ACCOUNTING BASED ON FINAL COSTS**

COMMONWEALTH OF PENNSYLVANIA  
Department of Education  
Bureau of Budget and Fiscal Management  
Division of School Facilities  
333 Market Street  
Harrisburg, PA 17126-0333

## PART J: PROJECT ACCOUNTING BASED ON FINAL COSTS

If there are any questions regarding the completion of these materials, contact the Division of School Facilities at (717) 787-5480.

### GENERAL INSTRUCTIONS

Part J "Project Accounting Based on Final Costs" must be submitted after all construction work has been completed and all final monies due on this project have been paid. An exception may be made if the school district agrees to forego reimbursement on any unpaid claims under litigation. The permanent reimbursable percent is established following PDE review of Part J.

**Part J must be submitted within three years of the date bids were received on the project unless an extension is requested in writing and granted by PDE.**

If additional time is required to obtain LEED or Green Globes Certification, request an extension to file Part J. Refer to Attachment B, Information on the Processing of PlanCon Part J, for guidance in completing the forms.

Part J must be submitted in the specified time or the temporary reimbursable percent(s) may become the permanent reimbursable percent(s) for the lease numbers assigned to the project. After the permanent reimbursable percent is assigned, the Commonwealth will calculate the retroactive reimbursement, if any, and make a lump sum payment.

**Refer to the PlanCon General Information for an overview of the reimbursement calculations used for school construction projects and legislative changes affecting school construction reimbursement.**

If a bond issue is used to fund multiple projects, the Part J's must be submitted for each of the individual projects as they are completed. A permanent percent will be assigned after the last project funded by a bond issue is completed. A revised temporary percent, however, may be assigned as each project funded by a bond issue is completed.

Use the following procedures to facilitate the final accounting review:

1. Account for the construction revenues and expenditures via the operation of a Capital Project Fund or a Special Revenue Fund in accordance with the Manual of Accounting and Financial Reporting for Pennsylvania Public Schools.
2. Prepare an audited balance sheet and statement of revenues, expenditures and changes in fund balances for the Capital Project Fund for each fiscal year.
3. Section 148(f) of the Internal Revenue Code of 1986 deals with arbitrage rebate to the federal government. In order to properly identify interest subject to arbitrage rebate, it is the school district's or career and technical center's responsibility to keep records that will track the interest earned on the investment of bond proceeds to meet the requirements of federal and state regulations.

All documents must be completed based on the cash basis of accounting. If there are claims unpaid because of litigation, the school district has two alternatives: (1) complete Part J excluding these costs and agree to forego any potential reimbursement for this work; or (2) file for an extension on the submission of Part J until any outstanding litigation is settled.

Provide **disclosure notes** that are appropriate for the schedules of Project Accounting Based on Final Costs (J02 and J03) and Financial Report (J04). At the minimum, the following note disclosures, if appropriate, must be made:

1. Significant Accounting Policies
  - Basis of Accounting
  - Methodology for allocating costs
2. Stewardship, compliance and accountability
  - Material violations of finance-related legal and contractual provisions
3. Related party transactions
4. Summary disclosures of significant contingencies
5. Significant effects of subsequent events.

Complete the attached forms for all projects and submit one copy to the Division of School Facilities. A separate Part J must be submitted for each PlanCon project.

- Board Transmittal, Page J01
- Project Accounting Based on Final Costs, Page J02-J03;
- Financial Report, Page J04;
- Certificate of Architect, Page J05.
- Financial Information Certification, Page J06.

**Pages J07-J12, Final Project Costs - Detail**, need to be submitted if project costs were less than the Maximum Reimbursable Formula Amount. Since mid-1991, the Part H "Project Financing" approval letter advised if these pages were needed. Check with PDE if necessary.

#### **PROJECT ACCOUNTING BASED ON FINAL COSTS, J02**

Final costs, including all change orders and supplemental contracts processed during the construction of the project building, must be reported. **Refer to the breakdown of the original contract amount between "NEW" and "EXISTING" at Part G "Project Accounting Based on Bids."** To these figures, add or subtract change orders and/or supplemental contracts. Report the actual cost of any work that was estimated at Part G. Report only the costs for this project incurred from initial design to the end of construction. However, the end date for reimbursable costs is three years from the bid opening date unless an exception is approved by the Department.

For projects involving the construction of a totally **new building** or an **addition to a building**, record all costs associated with the new construction or addition in the "NEW" column. For **alterations** to an existing building, record all alteration costs in the "EXISTING" column. For projects involving the **purchase of a building** for school purposes, record all costs associated with the building purchase and renovations in the "EXISTING" column. Record costs for **additions to a purchased building** in the "NEW" column.

If the project is a new building and includes total demolition of an entire existing structure, list costs under "Additional Construction-Related Costs" on Page J03, Line G3. Costs for partial demolition should be listed as alteration costs under "**EXISTING**" on Page J02, Lines A1 through A7, as applicable.

Page J02, Section A, should include only those costs that were part of a prime contract plus OCIP and builder's risk insurance if paid for separately. Record **site development costs** in the prime contracts on Page J02, unless this work is bid as a separate contract. **Site development costs include: rough grading to receive the building, geothermal well fields, ground or roof mounted photovoltaic generation systems, ground or roof mounted wind generation systems and a green roof.** Plan review, permits and approval fees charged by federal, state and local governmental agencies as well as site surveys related to the building's location and design, should be reported under Section A, Structure Costs only if they were part of the bid costs. Fees for **feasibility studies** not included in the base architect's fee should be reported on Page J03, Section G, "Additional Construction-Related Costs." If no design fee is charged on a structure cost listed under Section A, type "No Fee" beside that item.

The PlanCon-J-Add't Costs page is to be used when additional lines are needed on Page J02, Section A, Structure Costs or Page J03, Section G, Additional Structure Related Costs.

Account for **fixed equipment costs** under Section A, Structure Costs, and not under Section C, **Movable Fixtures and Equipment.** Equipment that was provided as part of a prime contract must be reported under structure costs. Refer to the instructions for "Final Project Costs - Detail" for more information on the differences between fixed and movable fixtures and equipment.

The amount attributable to **sanitary sewage disposal** should be excluded from site development costs. **Sanitary sewage disposal costs should be reported on Page J02, line E-1.** Sanitary sewage disposal is defined as a sewage treatment plant or system required by the Pennsylvania Department of Environmental Protection (DEP), or an extension of the sanitary sewer lines from 5 feet outside the project building to connect to a DEP-approved municipal sewage system. Costs for the construction of an on-site sewage treatment plant or system, charges for tap-in to a municipal sewer authority, reserve capacity charges required by local sewer authority, and on-site sewer line extension should be reported on J02, Section E; report charges for tap-in to a municipal water system under Section A, Structure Costs.

#### PROJECT ACCOUNTING BASED ON FINAL COSTS, J03

Record the following under Section G: fees for **construction management**; fees for **feasibility studies** not included in the base architect's fee; fees for **project supervision** on asbestos abatement; cost to **demolish structures**, such as homes, barns and garages, on land acquired for this project, as well as the costs to remove asbestos from these structures prior to their demolition. The cost for moving **relocatable classrooms** must be reported on Page J03, Section G. If this cost was included in the general contractor's base bid, the final cost to perform this work must be provided. Costs for all items that were not part of a prime contract must be reported here. This includes: test borings; site, topographical and wetlands surveys; and all studies including, feasibility, archeological, stormwater management, etc. Costs reported here are non-reimbursable.

Total Project Costs (Page J03, Line I) must equal total revenue sources (J03, line P) for all projects.

Only information on the original issues used to fund this project, even if refunded one or more times, should be reported on this page. However, issues that provided additional funds for this project but also involved a refunding of other issues should be included. If funding for this project is part of a **larger bond issue**, or if **more than one bond issue** is being used to finance the project, the financing costs and the interest earnings must be apportioned in a reasonable manner.

Due to legislative changes in the reimbursement formula, original issue discount and original issue premium must be reported under Revenue Sources, Line K.

Report funding from state and federal grants for this project on Line P.

#### **FINANCIAL REPORT, J04**

Provide information on the **entire issue** or **note** for each general obligation bond issue or note, school revenue bond issue or other type of permanent financing used to finance this project even if the issue or note provided funds for other reimbursable or non-reimbursable projects. This page is to give a complete picture of the financing used for this project.

Certain bond "pools" provide a subsidy to offset a portion of the costs of issuing bonds through the local authority (State Public School Building Authority or certain municipal authorities). If the school district received a contribution at bond settlement from an authority, report the contribution on line F. The contribution should also be reported as a revenue source on Page J03.

Interest earnings net of any arbitrage rebate to the federal government should be reported on Page J04.

For purposes of calculating reimbursement, bond proceeds that are transferred to the general fund and then used for a reimbursable construction project are still considered bond proceeds. **A construction loan is considered debt and may not be reported as cash.**

#### **CERTIFICATE OF ARCHITECT, J05**

This page must be completed by the architect of record after all construction work has been completed in an acceptable manner. For further instruction, if this page cannot be completed, contact the Department.

To receive the additional funding for a project constructed and based on an approved facility design on the Department's School Design clearinghouse, the architect must certify that the project actually was constructed and based on a clearinghouse design. To ensure a project's design conformance with an approved school design published on the clearinghouse, the Department may inspect a project building before any additional funding for a project is included in the calculation of the permanent reimbursable percent(s). If a project fails to conform to an approved clearinghouse design, reimbursement will be calculated without the additional funding.

#### **FINANCIAL INFORMATION CERTIFICATION, J06**

This page establishes the conditions for the independent auditor's report. Report information on this page for "100% cash" projects as well as projects using local funds as an additional source of financing.

"100% cash" projects are those projects for which the school district/CTC has not incurred debt (24 PS 25-2575.1). At Part J, a certification must be provided indicating that, in accordance with Section 2575.1(b) of the Public School Code of 1949, the school district/CTC is providing full payment on account of the approved building construction cost without incurring debt or without incurring a lease. For purposes of calculating reimbursement, bond proceeds that are transferred to the general fund and then used for a reimbursable construction project are still considered bond proceeds. **A construction loan is considered debt and may not be reported as cash.** For "100% cash" projects, provide information on the expenditure of local funds by fiscal year under the section titled "For 100% Cash Project Only."

Due to the substantial cost of most PlanCon projects, most school districts/CTCs may use local funds in addition to debt incurred for a project. For projects using local funds (cash) as an additional source of financing, provide information on the expenditure of the local funds by fiscal year under the section titled "For Project Using Local Funds as Financing Source".

#### **INDEPENDENT AUDITOR'S REPORT**

The independent auditor's report must be completed based on generally accepted auditing standards by a certified public accountant (CPA) or CPA firm licensed by the Commonwealth of Pennsylvania. Disclosure notes which are appropriate to the schedules reviewed must be presented.

Attachment A gives a sample of an unqualified report issued by an independent auditor. If the status of the audit requires a report other than an unqualified one, the auditor should follow generally accepted auditing standards in issuing the appropriate report.

#### **U.S. Green Building Council's Leadership in Energy and Environmental Design Green Building Rating System (LEED-NC™) Silver, Gold or Platinum Certification**

Due to legislative changes in the reimbursement formula, additional funding is provided for school buildings receiving a Silver, Gold or Platinum certification from the U.S. Green Building Council's Leadership in Energy and Environmental Design Green Building Rating System (LEED-NC™) on or after January 1, 2005. For eligible projects to receive the additional funding, a copy of the certification must be provided with the submission of Part J. If additional time is required to obtain certification, request an extension to file Part J.

#### **Green Building Initiative's Two, Three or Four Green Globes™ Certification**

Due to legislative changes in the reimbursement formula, additional funding is provided for school buildings receiving two, three or four Green Globes™ certification from Green Building Initiative's Green Globes building performance rating system on or after January 1, 2005. For eligible projects to receive the additional funding, a copy of the official certification documentation from the awarding body, based on third party verification of points claimed, must be provided with the submission of Part J. If additional time is required to obtain certification, request an extension to file Part J.

#### **INSTRUCTIONS FOR COMPLETING PAGES J07 - J12 WHEN NEEDED**

**NOTE: Pages J07-J12 may not need to be submitted. If the Part H approval letter did not indicate whether these pages were necessary, contact PDE.**

#### **FINAL PROJECT COSTS - DETAIL, J07 - J10**

**Refer to the breakdown of the original contract amount between "NEW" and "EXISTING" at Part G. To these figures add or subtract change orders. Report the actual cost of any contracts that were estimated at Part G. Report any supplemental contracts that were issued on Page J10.**

All costs, including costs associated with a project's change orders and supplemental contracts, must be assigned to either the "NEW" column (e.g., an addition or new building) or to the "EXISTING" column (i.e., alteration). Costs must be identified so that **subtotals** reflect this assignment.

## FINAL PROJECT COSTS - DETAIL, J11

Use the following definitions to differentiate between supplies and equipment:

- **Supplies** - unit consumed in use or loses its original shape or appearance with use; useful life of one year or less. Expenditures for supplies are non-reimbursable. Examples - adding machine ribbons; buckets; desk clocks; desk lamps; small hand laboratory tools; snow shovels; and waste baskets.
- **Equipment** - unit maintains its original shape and appearance with use; useful life of more than one year. Examples - kitchen ovens; desks and chairs; chalkboards; and computer hardware.

Use the following definitions to differentiate between movable and fixed equipment:

- **Fixed** - built-in; usually included in prime contract. Examples - flagpoles; playground jungle gyms and sliding boards; built-in kitchen equipment such as commercial-size chest freezers and refrigerators; and built-in cabinets.
- **Movable** - not attached to building or site permanently; usually purchased separate from prime contract; may be moved from one location to another without causing appreciable damage to a location when installed or removed. Examples - filing cabinets; kilns; copiers; tables, desks and chairs; and musical instruments.

Only the costs for movable fixtures and equipment directly related to the project building should be reported on Page J11. **Report movable fixtures and equipment that were purchased within three years from the date bids were received.** Movable fixtures and equipment purchased before bids are received are non-reimbursable. If equipment is purchased for district-wide use with bond proceeds, report costs on Page J04, line J, Funds Not Expended for this PlanCon Project. Do not report costs for **automobiles, trucks and motor vehicles** as movable fixtures and equipment. Report such costs on Page J04, line J.

Assigning the costs for movable fixtures and equipment may impact on a project's reimbursement. Care should be taken to ensure that all equipment is assigned appropriately. Take special care that reported costs correspond to areas reflected on the room schedule. For example, gym mats should not be recorded under the "EXISTING" area if the gymnasium was part of a new addition constructed as part of this project.

## FINAL PROJECT COSTS - DETAIL, J12

Site development costs which include, rough grading to receive the building, geothermal well fields, photovoltaic energy generation systems (ground or roof mounted), wind energy generation systems (ground or roof mounted) and green roofs should be included in the prime contracts on Page J02. Refer to the instructions in PlanCon Part A "Project Justification" for information on the reporting of these costs.

**INDEPENDENT AUDITOR'S REPORT**

**PREPARE ON COMPANY LETTERHEAD**

We have audited the accompanying schedules for Project Accounting Based on Final Costs (Pages J02 and J03), and Financial Report (J04) for project {**indicate PDE project number**} of the {**name of project building**} for the {**name of school district or CTC**} for the period {**period covered by the schedules**}. These schedules are the responsibility of the {**name of school district's or CTC's**} management. Our responsibility is to express an opinion on these schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the schedules referenced in the first paragraph are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedules. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedules were prepared for the purpose of complying with the Pennsylvania Department of Education's rules and regulations used to determine a project's final reimbursement and its permanent reimbursable percentage, and as described on Page J06. The schedules were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the schedules referred to above present fairly, in all material respects, the costs incurred, revenues collected and available funds arising from cash transactions for project {**indicate PDE project number**} of the {**name of project building**} for the {**name of school district or CTC**} for the period {**indicate period**} on the basis of accounting and cost allocation methodology indicated in Page J06.

This report is intended solely for the information and use of the board of directors and management of the {**name of school district or CTC**} and the Pennsylvania Department of Education and should not be used for any other purpose.

\_\_\_\_\_  
Signature, CPA/Firm  
\_\_\_\_\_

\_\_\_\_\_  
CPA/Firm's Name, Printed or Typed

\_\_\_\_\_  
CPA/Firm's Address

\_\_\_\_\_  
Date



**INFORMATION ON THE PROCESSING OF PLANCON PART J**

1. A separate Part J must be submitted for each PlanCon project.
2. Report costs incurred from the start of design to the end of construction; the end date for reimbursable costs is three years from the bid opening date. Costs for movable fixtures and equipment purchased before the bid opening date or later than three years after the bid opening date are not reimbursable.
3. Report interest earnings from the date of the issuance of bonds/notes/loans until the end of construction. For purposes of calculating reimbursement, bond proceeds that are transferred to the general fund and then used for a reimbursable construction project are still considered bond proceeds. **A construction loan is considered debt and may not be reported as cash.**
4. The basis for reporting final costs is bid costs reported at Part G "Project Accounting Based on Bids," plus change orders and supplemental contracts plus costs for movable fixtures and equipment.
5. If a project involved renovations to existing space and additions, the costs must be reported under the appropriate columns (NEW - additions; EXISTING - alterations).
6. Check the basic math so that columns add up across and down. Total project costs must equal total revenues. Costs must be based on cash accounting. Do not include any unpaid claims.
7. Pages J07-J12 must be submitted if reimbursement is based on actual costs. The Part H "Project Financing," approval letter, since 1991 has indicated a project's reimbursable basis and whether Pages J07-J12 are required. Contact PDE if the Part H approval letter does not indicate whether these pages are required.
8. List change orders and supplemental contracts with a brief description of the work performed, contract date, and costs reported under the appropriate column (NEW - additions, new building; EXISTING - alterations).
9. List movable fixtures and equipment with a brief description, the date purchased and costs reported under the appropriate column (NEW - additions, new building; EXISTING - alterations).
10. If sanitary sewage disposal costs are part of a prime contract, i.e., plumbing contract, subtract that amount from structure costs and report these costs on Page J02, Line E-1. Also list architect's/engineer's fees for this work.
11. Request an extension to file Part J after the three year period if there is pending litigation, extenuating circumstances or additional time is required to obtain LEED or Green Globes certification.
12. If a bond issue is used to fund multiple projects, the Part J's must be submitted for each of the individual projects as they are completed. A permanent percent will be assigned after the last project funded by a bond issue is completed. A revised temporary percent, however, may be assigned as each project funded by a bond issue is completed.
13. Retroactive reimbursement will be processed by the Comptroller's Office. This only applies to bond issues assigned permanent percents. If a bond issue was refunded with other bond issues that still have temporary percents, the refunding bond issue will be assigned a new temporary percent.