

School Facilities Accounting for the CBO and District Leaders

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CASBO Conference, San Jose

Lettie Boggs, CEO of **COLBI**

Today's Presenter



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Lettie Boggs held both Director of Facilities and Assistant Superintendent positions before starting **COLBI** in 2002. As CEO of **COLBI** she works with over 250 school districts statewide in managing their building programs and bidding environments.

She has served on the board of the Coalition for Adequate School Housing and was one of the founding faculty of the CASH School Facilities Leadership Academy. She also served as Chair of the CASBO School Facilities Professional Council. She served as Chair of Californians for School Facilities, now known as CASH Federal Network. She is President Elect of Assn for Learning Environments SoCal Chapter.

Please feel free to call if you have any questions about today's presentation!

OUR SERVICE LINES



To access a copy of today's presentation
please follow the link...



Congratulations!

The District has passed a bond or otherwise
qualified for funding

You get to do much needed work!

So let's get ready...

The “Business” of Facilities

Land Acquisition
Planning
Construction

Which is very different
from Education

- It will add accounting, reporting, and audit requirements
- Accounting for projects is a forced fit in the education ledgers



Multi-year, Multi-fund Projects In a Single Year Fiscal Budget

While we are all in the process of providing for education of our students, the business work in facilities is substantially different than in other depts

- **FISCAL** is mandated to run an annualized fund accounting system
- **FACILITIES** projects do not fit neatly into single years and projects rarely have a single source of funding (multi-fund, multi-year projects)

Therefore, you need to manage with the whole picture, and report by fund for each individual year



	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
					<---Actual---	---Planned-->				
Beginning Balance	-	17,864,545	1,487,379	20,622,685	31,828,650	17,550,059	1,349,571	1,233,361	7,513,791	3,139,916

Fund Revenues

FundGroup	FundCode-Name	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Total
Local	21 - Building Fund			19,000,000	56,442	28,221	9,407					19,094,070
	22 - G.O. Bond: Prop N	25,000,000	693,524	11,000,000					7,000,000	651,485	700,484	45,045,493
	23 - G.O. Bond: Prop O		1,000,000		25,000,000	125,000	7,951,000	76,316				34,152,316
	25 - Capital Facilities		1,100,000	18,881	9,440	3,147						1,131,468
Local Total		25,000,000	2,793,524	30,018,881	25,065,882	156,368	7,960,407	76,316	7,000,000	651,485	700,484	99,423,347
State	35 - State Fund SFP	5,000,000	12,000,000	12,000,000	24,500,000	15,927,333	27,000,000	-	11,000,000	-	-	107,427,333
State Total		5,000,000	12,000,000	12,000,000	24,500,000	15,927,333	27,000,000	-	11,000,000	-	-	107,427,333
Total Revenue		30,000,000	14,793,524	42,018,881	49,565,882	16,083,701	34,960,407	76,316	18,000,000	651,485	700,484	206,850,680

Project Fund Demands

FundGroup	FundCode-Name					<---Actual---	---Planned-->					Total
Local	21 - Building Fund			14,145	2,295,467	359,952	16,424,506					19,094,070
	22 - G.O. Bond: Prop N	11,647,975	13,505,549	10,538,187	601,061	(271,898)	254,246	123,339	(267,725)	5,025,360	3,840,400	44,996,493
	23 - G.O. Bond: Prop O	360,401	867,100		10,545,424	14,384,880	7,842,243	(786,027)	987,295			34,201,316
	25 - Capital Facilities		708,893	207,296	152,829	313,546	(251,096)					1,131,468
Local Total		12,008,376	15,081,542	10,759,628	13,594,781	14,786,480	24,269,899	(662,688)	719,570	5,025,360	3,840,400	99,423,347
State	35 - State Fund SFP	127,079	16,089,147	12,123,947	24,765,137	15,575,812	26,890,996	855,215	11,000,000	-	-	107,427,333
State Total		127,079	16,089,147	12,123,947	24,765,137	15,575,812	26,890,996	855,215	11,000,000	-	-	107,427,333
Total Demand on Funds		12,135,455	31,170,689	22,883,575	38,359,918	30,362,292	51,160,895	192,526	11,719,570	5,025,360	3,840,400	206,850,680

					<---Actual---	---Planned-->				
Ending Balance	17,864,545	1,487,379	20,622,685	31,828,650	17,550,059	1,349,571	1,233,361	7,513,791	3,139,916	(0)

Project Expenditures

WARNING: (2) Unposted Changes

SchoolName	Project	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	Total
						<---Actual---	---Planned-->					
Buena Place High School	BPHS Phz 1 (2)	2,810,291	2,345,473	437,476	249,359	17,802	280,800	0				6,141,201
	BPHS Phz 2A (2)	531,374	4,421,900	3,458,522	315,539	159,091	332,608	-				9,219,034
	BPHS Phz 2B (2)	336,812	54,879	382,929	3,438,058	1,250,648	1,782,164					7,245,490
	BPHS Seismic					49,562	50,645	568,500	381,100			1,049,807
Buena Place High School Total		3,678,477	6,822,252	4,278,927	4,002,956	1,477,103	2,446,217	568,500	381,100			23,655,532
Friendly High School	FHS Phz 1 (2)	101,311	402,086	5,111,556	4,614,352	584,508	183,151	0				10,996,964
	FHS Phz 2A (2)	726,751	2,066,249	334,899	921,875	4,285,436	7,383,141					15,718,351
	FHS Phz 2B	211,799	2,494,746	349,165	1,408	33,070						3,090,188
	FHS Phz 2C (2)		2,985,946	52,364	452,162	1,723,275	1,630,626	73,714				6,918,087
	FHS Seismic (2)					64,047	(0)		-			64,047
Friendly High School Total		1,039,861	7,949,027	5,847,984	5,989,797	6,690,336	9,196,918	73,714	-			36,787,637
La Hacienda High School	LHHS Phz 1 (2)	1,634,173	2,981,096	509,558	125,293	282,029	1,167,198	(0)	-	-	-	6,699,347

G.O. Bond or Issuance of a Bond

- Each bond must be accounted for separately as there must be a nexus between the bond language and the expenditures to determine they are appropriate
- Each issuance of that bond has to follow the same bond language so has not historically been tracked separately
 - But this seems to be a new ask due to how FISCAL is being asked to report it
- Discuss using a First In/First Out (FIFO) approach for applying expenditures to issuance as it simplifies the reporting and tracking significantly

Summary of Budgets, Commitments & Expenditures by Fund thru 03/31/2007

District/Project/Nbr	22 - G.O. Bond: Prop N			23 - G.O. Bond: Prop O			35 - State Fund SFP			Other Fund			Total		
	Budget	Committed	Expended	Budget	Committed	Expended	Budget	Committed	Expended	Budget	Committed	Expended	Budget	Committed	Expended
Campus Improvements	1,637,600	3,095,388	3,050,499	4,147,220	3,493,155	1,825,901	4,190,933						9,975,753	6,588,543	4,876,400
Enrollment Growth	11,000,000						11,000,000						22,000,000		
Phase 1 Modernization	15,452,264	31,630,482	31,072,991	6,046,620	10,458,348	10,687,276	35,302,238			19,298,691	27,490,926	25,557,708	76,099,813	69,579,756	67,317,975
Phase 2 Modernization	16,602,084	33,227,126	32,455,927	24,007,476	55,867,488	33,698,612	55,934,161		996,126	926,847			97,470,569	89,094,613	67,150,664
Sismic Retrofits	304,545	161,195	193,556				1,000,000						1,304,545	161,195	193,556
Totals	44,996,493	68,114,190	66,772,973	34,201,316	69,818,991	46,211,788	107,427,333	-	996,126	20,225,538	27,490,926	25,557,708	206,850,680	165,424,107	139,538,595

You can help or hinder!

How to hinder...

Insist that Facilities do everything the way every other dept does

Make changes to documents without conversation - particularly coding on payments!

Make unnecessary work (they have enough and so do you!)

Remember...

Facilities is in a different business within your fiscal requirements

They have factors regarding funding nexus that those outside of Facilities may not know

There is more than one right way for many things – which one is the most efficient and meets everyone's needs? Talk about it!



Let's talk about the challenges...

Understanding is key!

- Contingency
- Budgets
 - Multi year
 - Movement
- Capitalization vs Inventory Rules
- Retention
- Year End

Contingency or Reserve



- FISCAL uses reserves to assure that in unforeseen or catastrophic events there will be money to survive it
- FACILITIES is doing complex large projects that involve a significant number of unknowable components, so it is prudent to provide contingency to use throughout the project to address those things

The sky is not necessarily falling when FACILITIES uses contingency, but FISCAL may think that it is if you call it reserve or do not communicate that it is normal to apply it during the course of doing projects

What to look out for

- ...a pattern of changes that are due to poor design or poor planning
- ...frequent “fishing” for funds (Requests for Information)

Contingencies



There are three levels

- Construction
- Project
- Program

If you pad them all, you will not have enough money.

Explain your plan to FISCAL and they will have more comfort that you are thinking things through and monitoring the contingencies.

Change orders may include a non-construction impact so you always need contingency in the project that is not dedicated to construction.

Contingencies



The less you know – the bigger the contingency

Modernization needs a higher contingency level due to the higher level of unknowns

Unforeseen conditions is generally accepted for use of contingency, **scope creep is not!**

Allowances in lieu of contingency is a harder sell with Fiscal as it is viewed as a preapproved blank check. Allowances should have a Change Order type of review.

Budget Movement

- All the CAPITAL FACILITIES objects are 6xxx so movement between them does not require board action as is common in other budgets
- Change in project funding or total commitment to project does require board action

Always keep the board informed!

Sample Object Code List by Category

Category	Object	Title
A		
	6110	Purchase Price of Property
	6120	Appraisal Fees
	6130	Escrow Fees
	6140	Surveying Costs
	6150	Site Support Costs
	6170	POESA/PEA Costs
	6173	DTSC Fees
	6175	Hazardous Waste Removal
	6180	Other Costs - Site
B		
	6210	Architect/Engineering Fees
	6220	DSA Fees
	6225	CDE Fees
	6230	Preliminary Tests
	6240	Other Costs - Planning
C		
	6250	Main Construction Contractor
	6255	Construction Mgmt Fees
	6260	Demolition
	6265	Other Costs - Construction
	6270	Labor Compliance
	6277	Interim Housing
	6280	Construction Tests
	6290	Construction Inspection
D		
	6310	Books & Media for New Libraries
	4310	Materials & Supplies <\$500
	4410	Non-Capitalized Equipment \$500-5000
	6410	Equipment >\$5000
	6510	Replacement Equipment
E		
		Project Contingency

Budget Movement

- Movement within a project
 - Routine adjustments
- Movement to/from Program Contingency
 - During project
 - End of project
- Movement between projects
 - Reducing a subsequent project
 - Allocating remaining balance

Sample Object Code List by Category		
Category	Object	Title
A Site Acquisition & Clearance		
	6110	Purchase Price of Property
	6120	Appraisal Fees
	6130	Escrow Fees
	6140	Surveying Costs
	6150	Site Support Costs
	6170	POESA/PEA Costs
	6173	DTSC Fees
	6175	Hazardous Waste Removal
	6180	Other Costs - Site
B Planning & Design		
	6210	Architect/Engineering Fees
	6220	DSA Fees
	6225	CDE Fees
	6230	Preliminary Tests
	6240	Other Costs - Planning
C Construction/Testing/Inspection		
	6250	Main Construction Contractor
	6255	Construction Mgmt Fees
	6260	Demolition
	6265	Other Costs - Construction
	6270	Labor Compliance
	6277	Interim Housing
	6280	Construction Tests
	6290	Construction Inspection
D Furniture & Equipment		
	6310	Books & Media for New Libraries
	4310	Materials & Supplies <\$500
	4410	Non-Capitalized Equipment \$500-5000
	6410	Equipment >\$5000
	6510	Replacement Equipment
E Project Contingency		

Inventory or Capitalization Rules

CALIFORNIA SCHOOL ACCOUNTING MANUAL

2024 EDITION

Officially approved by the
California State Board of Education

Published by the
California Department of Education
Sacramento, 2024

- In FACILITIES we are doing capital projects so expenditures should be recorded in 6xxx objects and they follow CSAM capitalization rules
 - The first time you purchase it for the initial essential equipping of a school the rules are different
 - Most of what FISCAL does is operational and not recorded in 6xxx objects and follows CSAM inventory rules
 - The confusion is amplified by the assignment of various 4xxx objects for F&E so that they can get on the appropriate inventory list
- but that does not change the fact that you capitalize it for the initial essential equipping of the project



Determining whether expenditures are capitalized

- The rule of thumb is that if you would typically buy something annually from the supply budget of a school, then it does not qualify as a capital expenditure
- Things typically bought individually are capitalized when bought together for the initial essential equipping of the school (one chair vs 600 chairs)
 - Later, when repaired or replaced they may be supply items
- And then OPSC has different rules so read your grant agreement (they have shifted costs to the districts)!
- This is expensive money and is not to be focused on buying things that will not last

Match the source of funds with the type of use

District Held Retention

- FACILITIES is tracking retention at every pay app
 - If paid into an escrow account = no liability
 - If retained by the district = a liability

- FISCAL needs to book the unpaid retention as a liability
 - It no longer belongs to the district
 - This can be done monthly, quarterly, or annually – but always by closing

Not doing this creates misstatement in the financial statements and will get you an audit comment

		PAYMENT NO. <u>1</u>
For the period: <u>6/20/2015</u> to <u>7/31/2015</u>		DSA # _____
Contractor: <u>H.A. Nichols Co., Inc.</u>		Project Name: <u>Hughes, Lindbergh, & Twain</u> Truss Project
Address: <u>926 East Slauson Avenue, Los Angeles, CA</u>		P.O. No: <u>C664584</u>
Phone: _____		Contract #: <u>8286.01</u>
		Project No: _____

A. ANALYSIS OF ADJUSTED CONTRACT AMOUNT TO DATE		
1. Original contract amount		\$ 498,000.00
2. Change made from Approved Change Orders		\$ -
4-B. Adjusted contract amount to date		\$ 498,000.00
B. COMPUTATION OF PAYMENT DUE		
1. Work completed to date on original contract		\$ 203,929.44
2. Extra work performed to date		\$ -
3. Total work performed to date		\$ 203,929.44
4. Less: 5% retained		\$ 10,196.47
5-C. Net amount earned to date		\$ 193,732.97
6. Amount to be withheld because of: _____		\$ -
7. Balance		\$ 193,732.97
8. Less: Amount of previous payments		\$ -
9. Amount due this payment		\$ 193,732.97
10. Unpaid balance on LBUSD amount of contract	\$ 304,267.03	

C. CERTIFICATION OF CONTRACTOR OR HIS DULY AUTHORIZED REPRESENTATIVE

To the best of my knowledge and belief, I certify that all items and prices of work and material shown on this periodical estimate are correct; that all work has been performed and materials supplied in full accordance with the terms and conditions of the construction contract documents covering the work of the indicated contract, and all change orders approved by the **Chief Business & Financial Officer, Business Department** of the Board of Education; that this is a true and correct statement of the contract account up to and including the last day of the period covered by this estimate and that no part of the amount "Amount Due This Payment" has been received.

I further certify that this payment will be used to pay all just and lawful bills against the undersigned for labor, materials and expendable equipment employed in the performance of the indicated contract.

_____ Contractor: H.A. NICHOLS CO, INC.	_____ Facilities Accounting
_____ Project Inspector	_____ Administrative Coordinator
_____ Architect: Ghataode Bannon Architects	_____ Branch Director
_____ Project Manager	_____ CBFO

E. CERTIFICATE OF PAYMENT

This is to certify that _____ Dollars \$ _____

Contractor is entitled to a payment of _____

For the work performed at the _____

in accordance with terms of contract dated _____

Completion Accepted

Year End and End of Project

At year end FISCAL will need the following for each ongoing project:

- Work in place value (or work in progress) aka WIP
- Value of retention that is district held

At end of the project FISCAL will need:

- Breakdown of project value by site

**Be sure you do an
appropriate close out
process!**





Land (grounds) or Site Acquisition

This is an important discussion to have prior to projects so that

1. *FISCAL understands how you are using the codes, that it does not violate CSAM or FCMAT criteria*
 2. *It is essential for appropriately accounting for the work without making the time commitment for doing the work unmanageable*
 3. *For easing communication*
- In the maintenance fund and for maintenance and grounds
 - 6100 is Land related
 - 6200 is Building related
 - In Facilities
 - 6100 is Site Acquisition and Approval
 - 6200 is the rest of the project (Planning and Construction)

You may use a different set of 6000 objects for the two departments

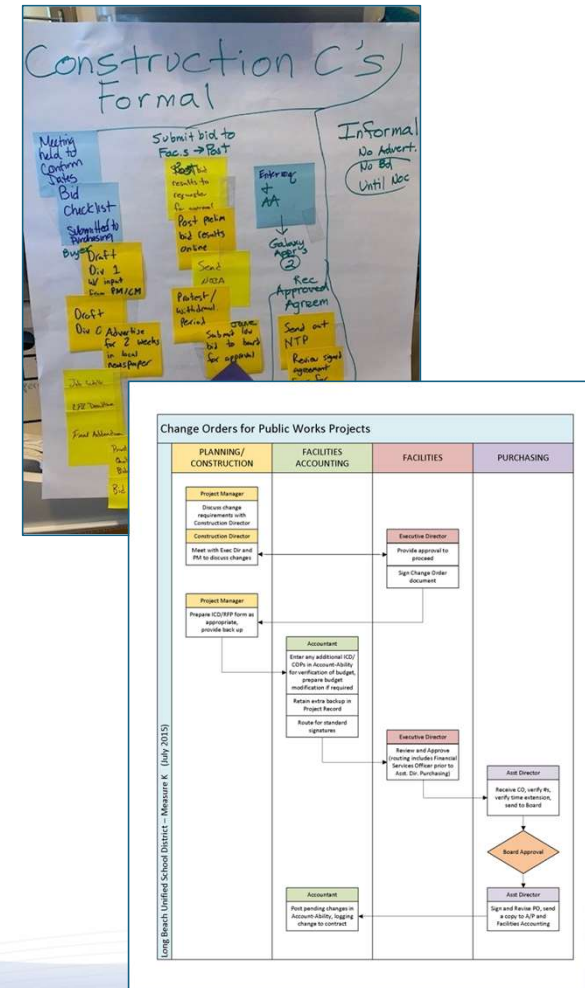


Land and Improvements

- Report your project “completed & stored” numbers as contracted and account for them in the Construction object code
- You do not have to break out the portion of work done in grading and landscaping to report them separately!!! They are a value of the project improvements rather than land value
- The value of the land is not depreciated
- The value of improvements to land and buildings is depreciated

How you can help

- Acknowledge the complexity and importance of this work to the district
- Understand the funding nuances, work together to comply
- Clearly define who has the lead and when
- Work together to coordinate contracting and payments
Do the workflow together and make sure it works
- Support one another
There are enough project challenges without internal ones!



The CASBO evaluation QR Code