
1.0 OVERVIEW AND NON-FACILITIES-RELATED SPLOST II AND III

This section describes the activities related to the overall financial position of Gwinnett County Public Schools (GCPS) SPLOST III resources for the program to- date (2007-08 through 2010-11) and the 2010-11 school year activities. Information pertaining to the 2010-11 activities associated with the SPLOST II program, which was initiated in July 2002 with sales tax receipts received through June 2007, is also contained in this report. **Exhibit 1-1** provides a summary of the 2010-11 to-date financial activities for the SPLOST III program.

Total revenues received for the SPLOST II program were \$1,076,824,010 as of June 30, 2011, with \$4,715 in revenues for 2010-11 resulting from investment income.

As of June 30, 2011, \$1,075,993,878 had been expended with \$2,195,105 of these expenditures occurring in the 2010-11 school year. The major expenditures for the SPLOST II program in 2010-11 were as follows:

Hamilton Mill Maintenance Facility	\$ 3,443
System Wide Improvements	48,518
Stadium Loans	<u>126,241</u>
Total	<u>\$178,202</u>

The SPLOST II budget to refurbish 388 buses was \$5,425,232. Bus ages ranged from 21 to 15 years. It is currently anticipated the refurbished buses will have an additional 10- to 15-year lifespan. This estimation represents an upgrade of 92 percent of the buses 15 years of age or older.

A total of 58 buses were refurbished in 2008-09, 95 buses were refurbished in 2009-10, and an additional 117 were upgraded in 2010-11. Thus, 270 of the 388 have been upgraded as of June 30, 2011. The final 118 bus upgrades are expected to be completed during the 2011-12 school year.

The remaining SPLOST II resources will be used for the final payment of \$63,120 for the stadium loans, with the remainder to be expended for the bus refurbishment program. Costs in excess of the resources available in SPLOST II for the bus replacement program will be included in SPLOST III, where an additional \$1 million has been budgeted for this purpose.

EXHIBIT 1-1
SPLOST II SUMMARY OF REVENUES AND EXPENDITURES
JULY 1, 2002, THROUGH JUNE 30, 2011

	CURRENT BUDGET	CURRENT YEAR ACTIVITY	PROGRAM TO DATE	OVER (UNDER) BUDGET
REVENUES				
Sales Tax	\$ 657,698,603	\$ -	\$ 657,698,603	\$ -
Buford Repayment	11,913,638	-	11,913,638	-
Interest Income	17,102,289	4,715	17,105,123	2,834
Transfer from COPs	132,623,702	-	132,623,702	-
Transfer from School Nutrition	6,123,896	-	6,123,896	-
Transfer from Other Capital Fund	-	-	6,637	6,637
Sale of Assets	43,349,704	-	43,349,704	-
Other Local Revenues	111,411	-	111,411	-
State Capital Revenue	207,883,843	-	207,891,296	7,453
Total Revenues	\$1,076,807,086	\$ 4,715	\$ 1,076,824,010	\$ 16,924
EXPENDITURES				
Capital Improvements				
Construction	\$ 644,309,574	\$ 51,961	\$ 644,309,542	\$ (32)
Facility Upgrades	1,187,174	-	1,187,174	-
Stadium Loans	16,238,786	126,241	16,175,665	(63,121)
Site Work	6,075,792	-	6,075,788	(4)
Land Purchases	56,557,430	-	56,557,430	-
Total Capital Improvements	724,368,756	178,202	724,305,599	(63,157)
Technology	171,214,929	-	171,214,917	(12)
Bus Replacement	6,569,403	-	6,569,403	-
Bus Refurbishing	5,425,232	1,977,643	4,717,180	(708,052)
Equipment - Facilities	54,777,025	38,241	54,777,025	-
Instructional Equipment	1,682,717	-	1,682,717	-
Supply Services - Property	51,236	-	51,236	-
CFO-Central Support	2,564,674	-	2,564,674	-
Finance & Accounting	13,893,938	919	13,891,728	(2,210)
School Nutrition	6,123,896	-	6,123,896	-
Transfers to Other Funds	89,018,388	-	89,018,939	551
Debt Service	1,076,564	-	1,076,564	-
Project Reserve	40,328	-	-	(40,328)
TOTAL EXPENDITURES	\$1,076,807,086	\$ 2,195,005	\$ 1,075,993,878	\$ (813,208)
ENDING FUND BALANCE			\$ 830,132	

Sources: Gwinnett County Public Schools Capital Projects Multi-Year Expenditures, SPLOST II programs at June 30, 2011.

Exhibit 1-2 identifies the SPLOST II bank and investment accounts for the past three years.

**EXHIBIT 1-2
SPLOST II CASH BALANCES
AS OF JUNE 30, 2011**

ACCOUNTS	JUNE 30, 2009	JUNE 30, 2010	JUNE 30, 2011
Local Government Investment Pool Georgia Fund 1 Investment of SPLOST II Cash	\$ 10,346,857	\$ 3,134,881	\$ 948,885
Local Government Investment Pool Georgia Fund 1 Investment of SPLOST II Cash	15,325	15,366	-
Wachovia Investment Account Third Party Investments for SPLOST II	3,751,591	-	-
Wachovia Bank Account Disburses to Investments or to General Fund to Reimburse for SPLOST II Fund Expenditures	774,130	4,105	3,350
Wachovia Bank Account Funds Remaining from Tax Anticipation Notes Activities	33,173	33,181	-
TOTAL SPLOST II CASH JUNE 30, 2010	\$ 14,921,076	\$ 3,187,533	\$ 952,235

Source: Gwinnett County Public Schools, Budget, Finance, and Accounting Department and quarterly bank statements from July 2009 through July 2010 and prior year reports for 2007-08.

For both SPLOST II and III accounts, MGT found that bank statements were balanced with the general ledger.

SPLOST III funds were authorized in a November 2006 referendum approved by the voters of Gwinnett County. The referendum approved a maximum collection of \$1.1 billion in sales tax revenues from July 1, 2007, through June 30, 2012, for SPLOST III. In addition, the voters also authorized the Board of Education to sell short-term general obligation bonds in the amount of \$425 million to be repaid with SPLOST III sales tax revenue. The sale of the bonds provided cash flow to address the immediate classroom needs of GCPS.

SPLOST III funds became available to GCPS beginning in March 2007 with the sale of the \$425 million in short-term general obligation bonds. The first sales tax revenues were collected in July 2007. These resources were approved for capital improvements, including the purchase of furniture and equipment for the newly constructed and remodeled buildings, acquiring technology-related equipment, the purchase of new vehicles for school district use, and making existing lease/purchase payments for new and existing schools and support facilities. Capital resources for the Child Nutrition Program are paid from the School Nutrition Enterprise Fund; however, the Child Nutrition costs associated with new schools are included in the overall capital budget.

1.1 Capital Assets Planning Process

The capital planning process used by GCPS is consistent with the technology and facilities components of the *Strategic Vision for Results*. There are seven goals identified to support the mission of the district. Two of the goals that involve capital planning are as follows:

- Goal 5: *Gwinnett County Public Schools will meet the continuing and changing demand for essential information through technological systems and processes that support effective performance and desired results.*

-
- Goal 6: *Gwinnett County Public Schools will provide and manage the systems, facilities, and operations in an extemporatory manner as determined by programmatic needs and best management practices.*

The district has effectively established procedures to meet the goals and vision articulated in the Gwinnett County Public Schools Vision for Results. The procedures involve a process of planning and budgeting for the use of capital resources that includes the SPLOST III program.

Capital needs for GCPS are identified on three levels: Capital Construction, System Wide Capital Improvements, and Technology. These levels are defined as follows:

- Capital Construction

The Capital Construction (new schools and additions) needs process begins with the development of enrollment projections to determine the long-term student housing needs for the district. This process requires close coordination with the various local governmental units and the projections are revised annually.

Once various projects are identified, they become part of the overall capital program. GCPS has a comprehensive process for identifying needs, establishing facility standards, and coordinating these standards with the educational specifications to assure facilities are constructed in a manner that will support the educational program of the district.

It is this process that has provided the basis for the capital improvement plans implemented by GCPS for the SPLOST III program.

- System Wide Capital Improvements

The System Wide Capital Improvements program involves identification of the need for ongoing improvements to existing facilities, such as roof replacement, heating, ventilating, air conditioning systems (HVAC), site improvements, flooring, painting, plumbing, and electrical. These improvements are identified through an annual process of site evaluation performed by GCPS maintenance staff. This process results in the plan for other annual capital improvement projects which are a part of the SPLOST III program. A total of \$6,628,265 is currently budgeted for this program in SPLOST III.

- Technology

A comprehensive technology plan has been developed by the Information Management Division. This plan includes technology standards for equipment and software for each classroom and other central activities such as computer labs and administrative support.

The Governmental Finance Officers Association (GFOA) indicates in its Recommended Practice for *Preparing and Adopting Multi-Year Capital Planning* document that, “a prudent multi-year capital plan identifies and prioritizes expected needs based on a community strategic plan that establishes project scope and cost, details estimated

amounts of funding from various sources, and projects future operating and maintenance costs.” Capital plans are recommended to cover three- to five-year periods. GCPS has processes and procedures that are consistent with this best practice.

1.2 SPLOST III Budget

The original budget for the SPLOST III program has been adjusted to address the current trend of reduced sales tax receipts. **Exhibit 1-3** provides a comparison of the original and current budgets for the SPLOST III program. Although the sales tax revenues are anticipated to decline by over 21 percent, the overall decrease in revenues is anticipated to be 5.21 percent. The estimated reduction in sales tax revenues has been offset by an original conservative estimate for interest income and a 78 percent increase in State Capital revenue. Therefore, GCPS has done an admirable job of recovering a major portion of the lost revenues and keeping the program on track.

The budget for the SPLOST III program was developed in 2006 and the projected sales tax revenues were based on the experience with the SPLOST II program. The State Capital Plan revenues are based on a five-year facilities plan submitted annually by all of the school districts in Georgia. At the time of submission, it is not known what projects will be eligible for the program as the level of funding must be approved each year. GCPS received state revenues associated with the SPLOST III program that were well above the original estimate.

EXHIBIT 1-3
SPLOST III COMPARISON ORIGINAL BUDGET TO CURRENT BUDGET
JUNE 30, 2011

	ORIGINAL BUDGET	CURRENT BUDGET	INCREASE (DECREASE)	PERCENTAGE INCREASE (DECREASE)
REVENUES				
Sales Tax	\$ 844,382,866	\$ 660,000,000	\$ (184,382,866)	-21.84%
Interest Income	11,000,000	30,055,822	19,055,822	173.23%
State Capital Revenue	91,986,276	163,294,805	71,308,529	77.52%
Sale of Bonds	425,000,000	425,000,000	-	0.00%
Premium from Sale of Bonds	-	22,476,689	22,476,689	100.00%
Total Revenues	1,372,369,142	\$ 1,300,827,316	\$ (71,541,826)	-5.21%
EXPENDITURES				
Capital Improvements				
Construction	403,360,660	395,273,962	(8,086,698)	-2.00%
Site Work	-	11,333,193	11,333,193	100.00%
Land Purchases	120,000,000	51,523,273	(68,476,727)	-57.06%
Stadium Projects	5,000,000	-	(5,000,000)	-100.00%
Total Capital Improvements	528,360,660	458,130,428	(70,230,232)	-13.29%
Non-Facility Expenditures				
Technology	138,791,795	123,114,702	(15,677,093)	-11.30%
Equipment - Facilities	33,940,581	30,954,661	(2,985,920)	-8.80%
Transportation	-	13,892,373	13,892,373	100.00%
Program Administration	16,600,000	13,857,242	(2,742,758)	-16.52%
Buy Back of ISC Facility	50,500,000	-	(50,500,000)	-100.00%
Lease for ISC Facility	-	18,537,000	18,537,000	100.00%
Project Reserve	-	8,422,835	8,422,835	100.00%
Total Non-Facilities Expenditures	239,832,376	208,778,813	(31,053,563)	-12.95%
Long Term Debt				
Certificates of Participation	120,276,106	115,770,325	(4,505,781)	-3.75%
Bond Interest	58,900,000	90,700,000	31,800,000	53.99%
Bond Principal Repayment	425,000,000	425,000,000	-	0.00%
Cost of Issuing Bonds	-	2,447,750	2,447,750	100.00%
Total Long Term Debt	604,176,106	633,918,075	29,741,969	4.92%
Total Expenditures	\$ 1,372,369,142	\$ 1,300,827,316	\$ (71,541,826)	-5.21%

Source: Gwinnett County Public Schools Multi-Year Project Summary as of June 30, 2011.

As previously shown in **Exhibit 1-3**, significant adjustments in the various budget categories occurred as follows:

- Sales Tax – Decrease of \$184,382,866: As previously noted this adjustment was required because of economic circumstances that occurred subsequent to the development of the original SPLOST III budget.
- Interest Income – Increase of \$19,055,822: The original budget for interest income was a conservative estimate. Although the interest income received has exceeded the original estimate by approximately \$12 million, the current budget amount of \$30,055,822 appears to be overestimated by approximately \$6 million. GCPS is aware of this and has been increasing the Project Reserve account to offset this difference.

-
- Site Work – Increase of \$11,333,193: These projects were originally included with new school or addition projects; the site work category was established to identify the site work separately from the facility construction.
 - Land Purchases – Decrease of \$68,476,727: In June 2008, when it became apparent the sales tax revenues for SPLOST III were going to be less than originally anticipated, \$52 million of the remaining land purchases scheduled to be expended with SPLOST III resources were transferred to the Bond Construction Fund.
 - Stadium Projects – Decreased by \$5,000,000: The stadium projects were transferred to the construction program.
 - Technology – Decrease of \$15,677,093: The majority of this budget reduction is a result of expenditures associated with new schools that came in below the original budget estimates.
 - Transportation – Increase \$13,892,373: Consisting of the following:
 - Bus Purchases – Increase \$12,892,373: The SPLOST III budget was adjusted in 2007-08 to purchase 145 new buses at a cost of \$9,389,329. An additional 41 buses were purchased using SPLOST III resources during the 2008-09 school year at a cost of \$3,208,044.
 - Fleet Improvements – Increase of \$1,000,000: This amount identifies the increased resources required to complete the refurbishment of 388 buses originally budgeted in SPLOST II.
 - Program Administration – Decrease of \$2,742,758: The majority of this decrease involves the transfer of \$2,447,750 to a separate account to properly record the cost of issuing the five-year general obligation bonds.
 - Buyback of Instructional Service Center (ISC) Facility – Decrease of \$50,500,000: The original budget included the buyback for the ISC facility. A decision was made not to accomplish the buyback because of the revenue shortfall. The current intent is to repurchase the facility between 2012 and 2013 using future bond proceeds.
 - Lease of ISC Facility – Increase of \$18,637,242: This increase represents the lease payments for the ISC facility from July 2007 through June 2012 that was necessary because of the decision to not buy the facility back with SPLOST III funds.
 - Certificates of Participation – Decrease of \$4,505,781: The Certificates of Participation were refinanced in 2006 to take advantage of lower interest rates.
 - Bond Interest – Increase of \$31,800,000: The estimated interest cost for the issuance of the bonds was underestimated; however, \$22,476,689 of this amount is offset by the premium payment received from the sale of the bonds.

1.3 SPLOST III Revenues and Expenditures

Exhibit 1-4 provides a summary of the 2010-11 and program to-date financial activities for the SPLOST III program.

Exhibit 1-4 indicates that 88.8 percent of the anticipated revenues have been received through June 30, 2011, and 78.41 percent of the budgeted expenditures have been expended. The construction projects and the technology activities represent the most significant expenditures for the SPLOST III program; the exhibit shows that the majority of the construction projects and technology activities have been completed. The bulk of future expenditures will involve the following four expenditure categories that were budgeted to be paid over the five-year life of the program; thus, the majority of the expenditures for SPLOST III over the last year of the program will be for the following ongoing activities:

- Program Administration – This represents the administrative costs associated with the GCPS overall capital improvement program. The final years' cost is anticipated to be in the range of \$1.9–\$2 million.
- ISC Lease Payments – The remaining budget for this activity for the final year of SPLOST III includes lease payments of \$3.7 million for the ISC facility.
- Debt Service for Certificates of Participation (COPs) – These are annual payments that were budgeted in SPLOST III to pay the principal and interest on the certificates of participation issued in 2004. This amounts to \$24.6 million for the remaining year of the SPLOST III program.
- Principal and Interest for Bonds – The final principal and interest payment on the outstanding bonds will occur in February 2013. The total obligation for these payments is \$230,048,300.

EXHIBIT 1-4
SPLOST III SUMMARY OF REVENUES AND EXPENDITURES
JULY 1, 2007, THROUGH JUNE 30, 2011

	BUDGET	CURRENT YEAR	PROGRAM TO DATE	PERCENT RECEIVED/EXPENDED TO DATE
REVENUES				
Sales Tax (1)	\$ 660,000,000	\$ 139,452,101	\$ 521,783,130	79.06%
Interest Income	32,877,803	303,895	23,141,699	70.39%
Other Local Revenues	-	18,375	39,017	-
State Capital Revenue	160,472,824	2,182,234	162,655,057	101.36%
Sale of Bonds	425,000,000	-	425,000,000	100.00%
Premium from Sale of Bonds	22,476,689	-	22,476,689	100.00%
Total Revenues	1,300,827,316	141,956,605	1,155,095,592	88.80%
EXPENDITURES				
Capital Improvements				
Construction	395,273,962	6,007,811	394,184,507	99.72%
Site Work	11,333,193	1,822,219	5,766,995	50.89%
Land Purchases	51,523,273	-	51,523,273	100.00%
Total Capital Improvements	458,130,428	7,830,030	451,474,775	98.55%
Non-Facility Expenditures				
Technology	123,114,702	4,674,938	119,722,930	97.25%
Equipment - Facilities	30,954,661	1,563,024	30,841,255	99.63%
Transportation	13,892,373	-	12,597,373	90.68%
Program Administration	13,857,242	2,208,883	11,317,242	81.67%
Lease for ISC Facility	18,537,000	3,712,500	14,823,335	79.97%
Project Reserve	8,422,835	-	-	0.00%
Total Non-Facility Expenditures	208,778,813	12,159,345	189,302,135	90.67%
Long Term Debt				
Certificates of Participation	115,770,325	24,599,241	91,105,981	78.70%
Bond Interest	90,700,000	16,045,914	75,623,759	83.38%
Bond Principal Repayment	425,000,000	110,000,000	210,000,000	49.41%
Cost of Issuing Bonds	2,447,750	-	2,447,750	100.00%
Total Long Term Debt	633,918,075	150,645,155	379,177,490	59.81%
Total Expenditures	\$ 1,300,827,316	\$ 170,634,530	\$ 1,019,954,400	78.41%

Source: Gwinnett County Public Schools Multi-Year Project Summary as of June 30, 2011.

(1) The current year and program to-date sales tax revenue includes the accrual of \$11,273,574 for June 2011 tax collections remitted to GCPS in July 2011.

(2) Debt Service payments are made in August and February with the final two payments to occur in August 2012 and February 2013 after June 30, 2012, which is the final month for SPLOST III sales tax collections.

Exhibit 1-5 provides additional information regarding the expenditure activity for the 2010-11 school year. This includes listings of the individual sites/activities for technology, equipment, transportation, and program management.

EXHIBIT 1-5
SPLOST III CURRENT YEAR EXPENDITURE ACTIVITY
AS OF JUNE 30, 2011

ACTIVITY	BUDGET	CURRENT YEAR	PROGRAM TO DATE	BALANCE	% RECEIVED/EXPENDED
EXPENDITURES					
Construction Related					
Construction (1)	\$ 395,273,962	\$ 6,007,811	\$ 394,184,507	\$ 1,089,455	99.72%
Site Improvements (2)	11,333,193	1,822,219	5,766,995	5,566,198	50.89%
Land Acquisition	51,523,273	-	51,523,273	-	100.00%
Total Construction	458,130,428	7,830,030	451,474,775	6,655,653	98.55%
Technology					
Lanier High School	5,211,399	903,762	2,776,221	2,435,178	53.27%
IMD System Development	17,796,759	2,444,755	17,745,083	51,676	99.71%
Growth Computers	3,104,608	43,222	3,104,604	4	100.00%
Network Mgt/Intrusion Detection	2,205,130	109,302	2,205,128	2	100.00%
Central Office Refresh	4,509,285	1,173,897	3,604,378	904,907	79.93%
Other Technology	90,287,521	-	90,287,521	-	100.00%
Total Technology	123,114,702	4,674,938	119,722,935	3,391,767	97.25%
Equipment					
Lanier HS	1,999,598	651,711	1,999,598	-	100.00%
Fine Arts	4,200,000	909,772	4,086,594	113,406	97.30%
Other Equipment	24,755,063	1,541	24,755,063	-	100.00%
Total Equipment	30,954,661	1,563,024	30,841,255	113,406	99.63%
Transportation					
Bus Refurbishment	1,000,000	-	-	1,000,000	0.00%
New Bus Purchases	12,892,373	-	12,597,373	295,000	97.71%
Total Transportation	13,892,373	-	12,597,373	1,295,000	90.68%
Program Administration					
Bank Fees	657,250	16,480	67,007	590,243	10.20%
Storage and Moving	1,199,992	-	1,199,992	-	100.00%
Program Management	12,000,000	2,192,403	10,050,243	1,949,757	83.75%
Total Program Administration	13,857,242	2,208,883	11,317,242	2,540,000	81.67%
Long Term Debt					
Certificates of Participation	115,770,325	24,599,241	91,105,981	24,664,344	78.70%
Bond Interest	90,700,000	16,045,914	75,623,759	15,076,241	83.38%
Bond Principal Repayment	425,000,000	110,000,000	210,000,000	215,000,000	49.41%
Cost of Issuing Bonds	2,447,750	-	2,447,750	-	100.00%
Total Long Term Debt	633,918,075	150,645,155	379,177,490	254,740,585	59.81%
Lease for ISC Facility	18,537,000	3,712,500	14,823,335	3,713,665	79.97%
Total Budgeted Expenditures	1,292,404,481	170,634,530	1,019,954,405	272,450,076	78.92%
Project Reserve	8,422,835	-	-	8,422,835	0.00%
Total Program	\$ 1,300,827,316	\$ 170,634,530	\$ 1,019,954,405	\$ 280,872,911	78.41%

Source: Gwinnett County Public Schools Multi-Year Project Summary as of June 30, 2011.

- (1) See Exhibit 1-6.
(2) See Exhibit 1-7.

Exhibit 1-6 identifies the SPLOST III construction activity completed for the 2010-11 school year. This exhibit shows that 27 construction projects totaling \$47,605,832 were closed out in the 2010-11 school year. The remaining construction related activities for SPLOST III are the Lanier High School roof project, which is the only remaining site specific project, along with modest amounts associated with ADA compliance, system

wide capital improvements, site development, and completion of pads for trash compactors. This exhibit further indicates that \$394,184,507 in SPLOST III funds have been expended for construction related projects. This represents 99.72 percent of the resources budgeted for construction.

**EXHIBIT 1-6
SPLOST III CURRENT YEAR CONSTRUCTION PROJECT EXPENDITURES
AS OF JUNE 30, 2011**

PROJECT	BUDGET	CURRENT YEAR	PROJECT TO DATE	BALANCE	COMPLETE
Projects Completed in 2010-11					
Custodial Training Area	\$ 111,125	\$ 111,125	\$ 111,125	\$ -	100.00%
Berkmar High School Kitchen HVAC	38,192	33,004	38,192	-	100.00%
Bethesda Elementary School Lighting	236,300	236,300	236,300	-	100.00%
Brookwood Elementary School Lighting	332,370	120,183	332,370	-	100.00%
Brookwood High School Lighting	481,190	139,310	481,190	-	100.00%
Central High School Stadium Renovation	1,624,210	368,886	1,624,210	-	100.00%
Crews Middle School Lighting	259,960	259,960	259,960	-	100.00%
Duluth High School Kitchen HVAC	46,117	41,077	46,117	-	100.00%
Duluth High School Energy Management	172,635	172,635	172,635	-	100.00%
Grayson Elementary School Lighting	249,569	57,704	249,569	-	100.00%
Grayson High School Kitchen HVAC	42,483	38,095	42,483	-	100.00%
Harris Elementary School Roof	242,699	178,081	242,699	-	100.00%
Bay Creek Middle School	15,830,386	(167)	15,830,386	-	100.00%
MT View High School Bus Parking	1,233,838	97,458	1,233,838	-	100.00%
Lanier High School	9,322,451	648,877	9,322,451	-	100.00%
Lanier High School Athletic Facility	11,192,889	125,405	11,192,889	-	100.00%
Meadowcreek High School Roof	1,070,717	796,516	1,070,717	-	100.00%
Meadowcreek High School Lighting	424,975	106,964	424,975	-	100.00%
Minor Elementary School HVAC	1,060,935	1,900	1,060,935	-	100.00%
Norcross High School Bus Drive	112,122	112,122	112,122	-	100.00%
No. Gwinnett High School Kitchen HVAC	45,177	42,738	45,177	-	100.00%
Riverside Elementary School Carpeting	60,897	60,897	60,897	-	100.00%
Portables Purchase/Set Up	1,250,000	36,237	1,250,000	-	100.00%
Parking and Bus Drives	682,010	1,855	682,010	-	100.00%
Education Specifications Upgrade	209,740	128	209,740	-	100.00%
Asphalt Paving	855,269	(94,129)	855,269	-	100.00%
Athletic Facilities	417,576	122,054	417,576	-	100.00%
Total Projects Completed	47,605,832	3,815,215	47,605,832	-	100.00%
Remaining Construction Projects					
Lanier High School Roof	700,000	298,294	298,294	401,706	42.61%
ADA Compliance	723,703	46,638	721,530	2,173	99.70%
System Wide Capital Improvements	6,628,265	1,340,485	6,627,988	277	100.00%
Site Development	416,697	380,230	385,421	31,276	92.49%
Compactor Pads	610,000	126,949	236,958	373,042	38.85%
Total Remaining Construction Projects	9,078,665	2,192,596	8,270,191	808,474	91.09%
All Other Projects	338,589,465	-	338,308,484	280,981	99.92%
Total Construction Projects	\$ 395,273,962	\$ 6,007,811	\$ 394,184,507	\$ 1,089,455	99.72%

Source: Gwinnett County Public Schools Multi-Year Project Summary as of June 30, 2011.

Exhibit 1-7 identifies the financial activities associated with the SPLOST III site projects during the 2010-11 school year. Four projects were completed during the year, leaving 18 active projects at the end of the year. Slightly over 50 percent of the budget remains to be expended for site projects.

**EXHIBIT 1-7
SPLOST III CURRENT YEAR SITE PROJECT EXPENDITURES
AS OF JUNE 30, 2011**

PROJECT	BUDGET	CURRENT YEAR	PROJECT TO DATE	BALANCE	PERCENT COMPLETE
Projects Completed in 2010-11					
Berkmar Middle School	\$ 1,040	\$ -	\$ 1,040	\$ -	100.00%
Lovin Elementary School	254,853	92,968	254,853	-	100.00%
Mulberry Elementary School	85,165	72,495	85,165	-	100.00%
Patrick Elementary School	110,175	9,480	110,175	-	100.00%
Total Projects Completed	451,233	174,943	451,233	-	100.00%
Remaining Site Projects					
Crews Middle School	38,960	430	14,534	24,426	37.30%
Knight Middle School Addition	68,000	11,852	43,671	24,329	64.22%
North Gwinnett Middle School	625,000	97,934	184,886	440,114	29.58%
Trip Elementary School	550,000	91,358	451,239	98,761	82.04%
Bay Creek Middle School	625,000	43,612	294,919	330,081	47.19%
Archer High School	1,125,000	257,002	597,095	527,905	53.08%
White Oak Elementary School	550,000	49,594	275,729	274,271	50.13%
Mountain View High School	1,125,000	233,018	570,196	554,804	50.68%
Twin Rivers Middle School	625,000	39,925	152,605	472,395	24.42%
Lanier Middle School Replacement	625,000	70,642	343,227	281,773	54.92%
Couch Middle School	625,000	19,017	204,932	420,068	32.79%
Rosebud Elementary School	550,000	106,907	425,354	124,646	77.34%
Woodward Mill Elementary School	550,000	31,474	63,406	486,594	11.53%
Starling Elementary School	550,000	10,916	200,483	349,517	36.45%
Benefield Elementary School Replacement	550,000	32,820	378,330	171,670	68.79%
Dyer Elementary School Replacement	550,000	30,810	247,811	302,189	45.06%
Puckett's Mill Elementary School	550,000	110,745	388,107	161,893	70.56%
Lanier High School	1,000,000	409,220	479,237	520,763	47.92%
Total Remaining Site Projects	10,881,960	1,647,276	5,315,761	5,566,199	48.85%
Total Site Projects	\$ 11,333,193	\$ 1,822,219	\$ 5,766,994	\$ 5,566,199	50.89%

Source: Gwinnett County Public Schools Multi-Year Project Summary as of June 30, 2011.

Subsequent to June 30, 2011, seven additional site projects have been completed, resulting in an additional amount of \$817,616 being transferred to the Project Reserve. It is anticipated that the remainder of the site projects will be closed out during 2011-12 and a significant portion of the balances for these projects will also be transferred to the Project Reserve. **Exhibit 1-8** identifies those projects completed during the period July through September 2011.

**EXHIBIT 1-8
SITE PROJECTS COMPLETED
JULY THROUGH SEPTEMBER 2011**

SITE IMPROVEMENT PROJECTS CLOSED JULY THRU SEPTEMBER 2011	CURRENT BUDGET	TOTAL PROJECT COST	AMOUNT TO PROJECT RESERVE	% OF BUDGET RECOVERED
Crews Middle School	\$ 38,960	\$ 23,374	\$ 15,586	40.01%
Knight Middle School Addition	68,000	47,278	20,722	30.47%
Trip Elementary School	550,000	468,659	81,341	14.79%
White Oak Elementary School	550,000	297,794	252,206	45.86%
Lanier Middle School Replacement	625,000	365,305	259,695	41.55%
Rosebud Elementary School	550,000	443,429	106,571	19.38%
Puckett's Mill Elementary School	550,000	468,535	81,465	14.81%
Total Projects Closed July-September 2011	\$ 2,931,960	\$ 2,114,374	\$ 817,586	27.89%

Source: Gwinnett County Public Schools Multi-Year Project Summary as of September 30, 2011.

1.4 Financial Management

The major revenue source for the SPLOST III program is sales tax receipts. **Exhibit 1-3** and **Exhibit 1-4** (previously shown) identify the budget and actual revenues and expenditures for the SPLOST III program.

GCPS issued \$425 million in short-term general obligation bonds on March 29, 2007. **Exhibit 1-9** identifies the remaining debt service obligation associated with the issuance of these bonds as of June 30, 2011. The total debt service for these obligations will be paid with SPLOST III resources and be fully retired in February 2013.

**EXHIBIT 1-9
GENERAL OBLIGATION BONDS, SERIES 2007
DEBT SERVICE PAYMENT SCHEDULE
AS OF JUNE 30, 2011**

PERIOD ENDING	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	ANNUAL DEBT SERVICE
8/1/2011	\$ -	\$ 5,304,725	\$ 5,304,725	\$ -
2/1/2012	125,000,000	5,304,725	130,304,725	135,609,450
8/1/2012	-	2,219,425	2,219,425	-
2/1/2013	90,000,000	2,219,425	92,219,425	94,438,850
Total	\$215,000,000	\$ 15,048,300	\$ 230,048,300	\$ 230,048,300

Sources: Closing Transcript, Gwinnett County Public Schools (Georgia) General Obligation Bonds and June 30, 2011, Comprehensive Annual Financial Report.

GCPS currently has four active bank and investment accounts for SPLOST III funds. Trustee accounts were established to account for the debt service obligations associated with the \$425 million general obligation bond issued in March 2007. The SPLOST III funds are sent by the Georgia Department of Revenue directly to the account at US Bank. If the resources are not required to fund debt service obligations, the funds are transferred to the SPLOST III Wachovia bank account.

Exhibit 1-10 identifies the bank and investment account balances for the most recent three years of the SPLOST III program. By reviewing quarterly bank reconciliations, MGT verified that the bank statements balanced against the general ledger.

**EXHIBIT 1-10
SPLOST III CASH BALANCES
AS OF JUNE 30, 2011**

ACCOUNTS	JUNE 30, 2009	JUNE 30, 2010	JUNE 30, 2011
Accounts for Bond Debt Service Obligations			
US Bank - Bond Debt Service Trustee Account			
All Sales Taxes Receipts deposited in this account	\$ 31,277,665	\$ 41,824,604	\$ 23,188,588
US Bank - Trustee Account			
Georgia Fund 1 Investment of Debt Service Obligations	23,939,161	11,415,491	32,389,170
Total for Debt Service Obligations	55,216,826	53,240,095	55,577,758
Accounts for SPLOST III Transactions			
Wachovia Bank Account SPLOST III			
Disburses to Investments or to General Fund to reimburse for SPLOST III Fund Expenditures	440,170	9,811	386,305
Local Government Investment Pool			
Georgia Fund 1 Investment of SPLOST III Cash	87,587,027	90,711,619	22,314,055
Wachovia Investment Account			
Third Party Investments for SPLOST III Cash	16,573,137	4,993,641	-
Total for SPLOST III Transactions	104,600,334	95,715,071	22,700,360
TOTAL SPLOST III CASH JUNE 30, 2010	\$ 159,817,160	\$ 148,955,166	\$ 78,278,118

Sources: Gwinnett County Public Schools, Budget, Finance, and Accounting Department; bank statements from June 2010 through June 2011; and MGT records from the 2007-08 and 2009-10 school years.

A process has been established whereby the Superintendent, Chief Operating Officer, Chief Financial Officer, Chief Information Officer, and the Director of Budgets and Financial Reporting meet quarterly to review the status of the SPLOST III program.

Part of the reporting associated with this review is a financial summary that includes a listing of the budget adjustments made by this group which is maintained on a life-to-date basis. The process is used to transfer budget reductions/increases to the Project Reserve Account. This is an effective way to keep abreast of the activities taking place in the program as well as providing documentation of the actions taken.

1.5 Document Review

MGT analyzed the retainage payment schedules for SPLOST III funds during the 2010-11 school year for contractors associated with the following projects:

- Lanier High School Site Work
- Central High School Stadium Renovation
- Meadowcreek High School Roof Replacement

The district continues to track retainage with the following information:

- Project name
- Contractor name and contract amount
- Architect name and contract amount
- Amounts paid to-date for both the contractor and the architect
- Total retainage to date
- Previous retainage
- Current retainage

Documentation reviewed for the aforementioned projects included copies of the application and certificate for payment, detailed deliverables provided, summary of deliverables provided, and the approval from the internal construction manager.

MGT also reviewed the SPLOST III accounts payable listing for the 2010-11 school year. This included a general review to determine if the various vendors appeared to be appropriate for the SPLOST III programs as well as a detailed review of a sample of six paid invoices that were deemed to be unusual. All of these items were in order.

MGT visited the following schools and departments to review furniture and equipment assets purchased with SPLOST III resources and to ensure that asset identification tags were affixed and items were actually being used:

- Berkmar Middle School
- Pinckneyville Middle School
- Richards Middle School
- Dacula High School
- Lanier High School
- North Gwinnett High School
- Parkview High School
- Safety and Security Department
- Information Management Department
- Planning Department
- Records Management Department

Twenty-five items purchased with SPLOST III resources were selected to be identified at the 11 sites visited and all of these assets were located and properly identified with asset identification bar code tags and, as previously mentioned, were in use by students or staff.

1.6 Facilities-Related SPLOST III

GCPS has maintained the following practices during the 2010-11 school year and throughout the entire SPLOST III program:

- Effectively managing a facilities development and construction program that meets SPLOST III objectives.
- Continuing a commitment to the elimination of mobile classrooms.
- Persistently improving the materials, systems, methodologies, and designs for school facilities within a framework of life-cycle costing.
- Using effective methods and controls in change order processing.

GCPS has met anticipated goals by completing the projects shown in **Exhibit 1-11** for the 2010-11 school year through the SPLOST III program.

EXHIBIT 1-11
2010-11 SPLOST III FACILITIES-RELATED PROJECTS

ACTIVITIES	ADDED STUDENT CAPACITY	CLASSROOMS ADDED	TOTAL CONSTRUCTION COST (\$MILLION)
26 Projects	7,282	334	\$114.59
Anderson-Livsey Elementary School	1,102	53	\$11.04
Burnett Elementary School	770	37	\$8.87
GSMST	2,308	111	\$35.55
Jenkins Elementary School	1,102	53	\$10.42
Lanier High School	2,000	80	\$40.89
Custodial Training Area	NA	NA	\$0.11
Berkmar High School Kitchen HVAC	NA	NA	\$0.04
Bethesda Elementary School Lighting Retrofit	NA	NA	\$0.24
Brookwood Elementary School Lighting	NA	NA	\$0.33
Brookwood High School Lighting	NA	NA	\$0.48
Central High School Stadium Renovation	NA	NA	\$1.62
Crews Middle School Lighting Retrofit	NA	NA	\$0.26
Duluth High School Kitchen HVAC	NA	NA	\$0.05
Duluth High School Energy Management	NA	NA	\$0.17
Grayson Elementary School Lighting	NA	NA	\$0.25
Grayson High School Kitchen HVAC	NA	NA	\$0.04
Harris Elementary School Roof	NA	NA	\$0.24
Lanier High School	NA	NA	\$9.32*
Lanier High School Athletic Facility	NA	NA	\$11.19*
Lanier High School Roof	NA	NA	\$9.32*
Meadowcreek High School Roof	NA	NA	\$1.07
Meadowcreek High School Lighting	NA	NA	\$0.42
Mt. View High School Bus Parking	NA	NA	\$1.23
Minor Elementary School HVAC	NA	NA	\$1.06
Norcross High School Bus Drive	NA	NA	\$0.11
North Gwinnett High School Kitchen HVAC	NA	NA	\$0.04
Riverside Elementary School Carpeting	NA	NA	\$0.06

Source: Gwinnett County Public Schools, Division of Facilities and Operations, 2011.

*Included within Lanier HS above.

To date, GCPS's SPLOST III program has accomplished a significant increase in capacity, as shown in **Exhibit 1-12**.

**EXHIBIT 1-12
CLASSROOM AND CAPACITY PROJECTS
2010-11**

ACTIVITIES	ADDED STUDENT CAPACITY	CLASSROOMS ADDED	TOTAL CONSTRUCTION COST (\$MILLION)
21 Projects	30,573	1,342	\$428.77
Knight Elementary School	353	17	\$7.50
Trip Elementary School	1,331	64	\$16.27
Puckett's Mill Elementary School	1,331	64	\$15.41
Lanier Elementary School	1,102	53	\$11.01
Lanier Middle School	1,800	72	\$21.34
Rosebud Elementary School	1,331	64	\$14.38
Crews Middle School	250	10	\$1.40
North Gwinnett Middle School	2,000	80	\$24.19
Archer High School	3,000	120	\$56.53
Mountain View High School	2,500	100	\$47.56
Twin Rivers Middle School	1,800	72	\$23.19
Bay Creek Middle School	1,250	50	\$15.28
Couch Middle School	1,250	50	\$19.99
Woodward Mill Elementary School	1,331	64	\$13.00
Dyer Elementary School	1,331	64	\$12.38
Starling Elementary School	1,331	64	\$12.60
Lanier High School	2,000	80	\$50.77
Anderson-Livsey Elementary School	1,102	53	\$11.04
Burnett Elementary School	770	37	\$8.87
GSMST	2,308	111	\$35.55
Jenkins Elementary School	1,102	53	\$10.42

Source: Gwinnett County Public Schools, Division of Facilities and Operations, 2011.

GCPS continues an aggressive and effective building program in SPLOST III, Phase I of a three-phase program called "The Plan." Phase II has funded projects utilizing General Obligation Bonds, which were approved on February 5, 2008, and Phase III expects to utilize funds from SPLOST IV which will be presented to voters in November 2011.

The goal of SPLOST III was to increase the district's capacity by 1,069 classrooms, as shown in **Exhibit 1-13**. As listed in the exhibit, the district was planning on building seven new elementary schools, one replacement elementary school, and one addition, for a total of 507 new elementary classrooms. Five new middle schools and one addition were to be built, for a total of 262 new middle school classrooms. There were to be three new high schools built, for a total of 300 new classrooms.

**EXHIBIT 1-13
GCPS SPLOST III GOALS**

FACILITY TYPE	NEW	REPLACEMENTS	ADDITIONS	CLASSROOMS
Elementary Schools	7	1	1	507
Middle Schools	5	0	1	262
High Schools	3	0	0	300
Totals	15	1	2	1,069

Sources: Gwinnett County Public Schools 2007-12 Building Program, and June 2010 Monthly Report to Board of Education.

Exhibit 1-14 provides detailed information regarding the type of project, number of classrooms, the capacity of the school, the contract amount, and the status of the project during FY 2011. As shown, classrooms and student capacity were increased for each project.

**EXHIBIT 1-14
GCPS EDUCATIONAL FACILITIES OCCUPIED WITH SPLOST III FUNDS
2010-2011 SCHOOL YEAR**

SCHOOL NAME	TYPE	NEW CLASS-ROOMS	OLD CAPACITY	NEW CAPACITY	CONTRACT AMOUNT (\$MILLIONS)	STATUS	SCHOOL YEAR OPEN
Anderson-Livsey Elementary School	New	53	0	1,102	\$11.04	Occupied	2010-11
Burnett Elementary School	New	37	0	770	\$8.87	Occupied	2010-11
GSMST	New	111	0	2,308	\$35.55	Occupied	2010-11
Jenkins Elementary School	New	53	0	1,102	\$10.42	Occupied	2010-11
Lanier High School	New	80	0	2,000	\$40.89	Occupied	2010-11
Total		334	0	7,282	\$106.77		

Sources: Gwinnett County Public Schools 2007-12 Building Program, and September 2011 Monthly Report to Board of Education.

In addition to adding capacity to the district, GCPS set priorities for roofing, lighting, and HVAC projects. Roofing and HVAC projects were prioritized based on several factors, including age of the roof/equipment, condition and/or frequency of repairs, and eligibility of the projects for state funding from the DOE Capital Outlay Program.

Lighting retrofit projects were also given high priority due to the significant energy savings that can be realized by switching from T-12 to T-8 fluorescent lamps. These projects were also prioritized by the age of the facility and the availability of state funding.

The district set a priority of air conditioning in all kitchens to bring the existing facilities up to current standards. High school kitchens were given first priority as they are larger and used more extensively than middle or elementary school kitchens.

Exhibit 1-15 lists the roofing, lighting, and HVAC projects completed in 2010-11 with SPLOST III funds.

**EXHIBIT 1-15
ROOFING, LIGHTING, AND HVAC PROJECTS COMPLETED
WITH SPLOST III FUNDS
2010-11 SCHOOL YEAR**

ACTIVITIES	TOTAL CONSTRUCTION COST (\$MILLION)
19 Projects	\$7.82
Custodial Training Area	\$0.11
Berkmar High School Kitchen HVAC	\$0.04
Bethesda Elementary School Lighting Retrofit	\$0.24
Brookwood Elementary School Lighting	\$0.33
Brookwood High School Lighting	\$0.48
Central High School Stadium Renovation	\$1.62
Crews Middle School Lighting Retrofit	\$0.26
Duluth High School Kitchen HVAC	\$0.05
Duluth High School Energy Management	\$0.17
Grayson Elementary School Lighting	\$0.25
Grayson High School Kitchen HVAC	\$0.04
Harris Elementary School Roof	\$0.24
Meadowcreek High School Roof	\$1.07
Meadowcreek High School Lighting	\$0.42
Mt. View High School Bus Parking	\$1.23
Minor Elementary School HVAC	\$1.06
Norcross High School Bus Drive	\$0.11
North Gwinnett High School Kitchen HVAC	\$0.04
Riverside Elementary School Carpeting	\$0.06

Source: Gwinnett County Public Schools, Division of Facilities and Operations, 2011.

GCPS has continued to eliminate the number of single- and double-wide trailers used for classrooms during the SPLOST III audit year of 2010-11. **Exhibit 1-16** shows the number of single- and double-wide trailers requested on campuses for the 2009-10 and 2010-11 school years. As shown in the exhibit, GCPS was able to reduce both single- and double-wide trailers.

EXHIBIT 1-16
GCPS COMPARISON OF TRAILERS REQUESTED
2010-11 AND 2011-12

SCHOOL TYPE	NUMBER OF SINGLEWIDES REQUESTED 2010-11	NUMBER OF SINGLEWIDES REQUESTED 2011-12	NET TOTAL ADDED OR REMOVED 2011-12	NUMBER OF DOUBLEWIDES REQUESTED 2010-11	NUMBER OF DOUBLEWIDES REQUESTED 2011-12	NET TOTAL ADDED OR REMOVED 2011-12
Elementary Schools	225	184	(41)	58	55	(3)
Middle Schools	86	54	(32)	5	5	0
High Schools	224	193	(31)	2	2	0
Special Facilities	1	1	0	2	2	0
GRAND TOTAL	536	432	(104)	67	64	(3)

Sources: Gwinnett County Public Schools 2010-11 and 2011-12, Trailer Allotments.

GCPS has continued to improve the quality of materials used in the construction of schools and to explore new methodologies which can save resources and maintain quality. **Exhibit 1-17** lists some of the initiatives the district has undertaken to become more energy efficient.

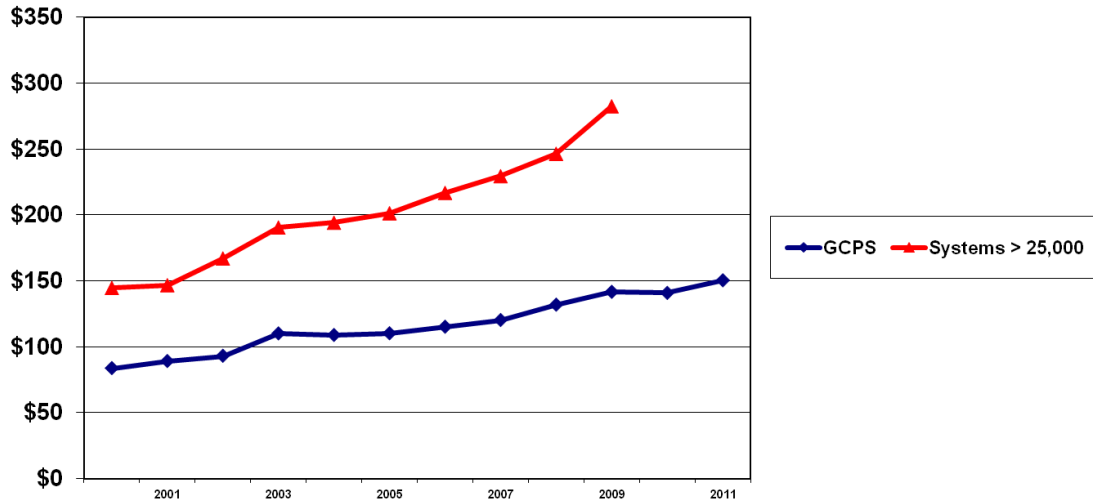
EXHIBIT 1-17
GCPS ENERGY/RESOURCE CONSERVATION INITIATIVES
FY 2009-10

INITIATIVE	PROGRESS
Energy Efficient Lighting	Lighting retrofits changing T-12 lamps for T-8 lamps and electronic ballast have been accomplished in 54 of 54 schools (100% complete). This is a 9 percent increase over the previous year.
Occupancy Sensors	Occupancy sensors have been installed to control lights and HVAC equipment when rooms are vacant. Sensors have been installed in 54 of 54 schools (100% complete). This is a 20 percent increase over the previous year.
Energy Use Management	The "Utility Manager" software program has been implemented to track energy cost and consumption. The program will allow the district to submit data to the U.S. Department of Energy's "Energy Star Program" for evaluation and rating. Of the 117 eligible schools that were run through the analysis, 111 achieved the ENERGY STAR certification for superior energy performance.

Source: Gwinnett County Public Schools, Division of Facilities and Operations, 2011.

Exhibit 1-18 shows the results of the initiatives listed above and from constructing new energy efficient buildings. The graph compares GCPS's utility cost per student with those of Cobb County and with national data for school districts with more than 25,000 students. The Maintenance Department documents a savings of over \$19 million annually due to effective energy management.

**EXHIBIT 1-18
COMPARISON OF UTILITY COST PER STUDENT
2000-11**



Source: Gwinnett County Public Schools, Division of Facilities and Operations, Maintenance Department, 2011.

The GCPS Division of Facilities and Operations exhibited all of the above characteristics related to project oversight and budgetary control mechanisms during the 2010-11 Annual SPLOST III Review.

Exhibit 1-19 summarizes the record of change orders for projects completed during the 2010-11 school year with SPLOST III funds. During this period, 43 change orders were initiated, for a net cost to GCPS of approximately \$66,109. The majority of the change orders were due to unforeseen conditions. For FY 2010-11, the total net dollar amount of change orders represented a cost to the district, which was well below the industry standard of 3 to 4 percent for the construction cost of new construction and 6 to 9 percent for renovation work.

As shown in **Exhibit 1-19**, the district improved its change order performance over the previous year. The total amount of change orders and the average per project decreased. The dollar amount of change orders increased to a positive amount but the total was well below industry standards for acceptable practices.

EXHIBIT 1-19
SUMMARY OF GCPS SPLOST III CHANGE ORDERS
2010-11 SCHOOL YEAR

CATEGORY	2008-09	2009-10	2010-11	CHANGE
Total Number of Change Orders	138	132	43	(89)
Average Number of Change Orders per Project	17.25	13.2	2.9	(10.4)
Net Total	(\$92,057)	(\$1,192,819)	\$66,109	\$1,258,928
Average \$/Change Order	\$5,366	(\$9,036)	\$1,537	\$10,573
Owner Initiated	20 (11%)	42 (31%)	3 (7%)	(39)
Architect/Engineer Initiated	48 (27%)	2 (2%)	11 (26%)	9
Contractor-Only Initiated	0 (0%)	0 (0%)	3 (7%)	3
Fire Marshall Initiated	3 (2%)	6 (5%)	2 (5%)	(4)
Unforeseen	88 (50%)	77 (58%)	15 (35%)	(62)
Unused Allowances	9 (5%)	6 (5%)	9 (21%)	3

Source: MGT of America, Inc. summary, prepared from data furnished by Gwinnett County Public Schools, Division of Facilities and Operations, 2011.