



COBB COUNTY SCHOOL DISTRICT

REPORT OF AGREED UPON PROCEDURES

on the

**SPECIAL PURPOSE LOCAL
OPTION SALES TAX (SPLOST)**

December 31, 2001

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Cobb County Board of Education
Marietta, Georgia 30061

We have performed the procedures enumerated below, which were agreed to by the Cobb County Board of Education, the specified user, solely to assist you with respect to the accounting records of the Cobb County School District Special Purpose Local Option Sales Tax (SPLOST) Fund for the calendar year January 1, 2001 to December 31, 2001. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We performed an examination of projects and expenditures related to the SPLOST issue that was approved by voters in September 1998. The objective of these procedures was to ensure that the public's expectations for **efficiency**, **fiscal responsibility** and **accountability** are being met. The procedures detailed below will be tested over a five-year period beginning with the calendar year ended December 31, 1999 through the fiscal year ended December 31, 2003. This report tests only the calendar year January 1, 2001 to December 31, 2001.

HISTORY OF SPLOST FUNDS

The original budgeted revenue generated from the 1% sales tax was expected to total \$626,772,687 over five years and was approved by the voters in September, 1998 in order to fund the building of 12 new schools, add classroom space and other additions to existing buildings, renovate and restore deteriorating school buildings, add safety improvements to school facilities and grounds, and add technology hardware to classrooms. The Board of Education has pledged \$115 million of the above amount to roll back property tax rates and reduce the school system's debt. Since SPLOST was passed, the millage rate has been reduced 2.28 mills.

The SPLOST fund's remaining \$511,772,687 will be used for twelve new schools, major renovations on various existing schools to add classroom space, add safety features to schools and their grounds, and add technology hardware to classrooms. These improvements and new schools are needed based on the climbing enrollment rates. At the end of 1999 there were 93,472 students enrolled in Cobb County and by the year-end of 2002 there is expected to be 97,553 students. The above-mentioned projects have been planned to coincide with the influx of revenue from SPLOST. These budgeted SPLOST expenditures by categories are as follows: New schools/property/land \$237,163,324, New additions/renovations \$65,645,975, Renovation/restoration/school requests \$85,453,325, Curriculum and technology, \$75,177,500, and Support and safety improvements \$48,332,563.

We were required to make an immediate, written report of any irregularities and illegal acts of which we became aware of to the Cobb County Board of Education. No irregularities or illegal acts were detected during our procedures.

Our procedures and findings were as follows:

DISBURSEMENT OF SPLOST FUNDS

Objective:

The sales tax proceeds are being disbursed in a fiscally responsible manner and in compliance with the SPLOST resolution approved by the Board on May 13, 1998.

Procedures:

For purposes of this objective, we defined fiscally responsible as:

Able to pay one's debt	Creditworthy
Financially secure	<u>Sound</u>
Solvent	Debt-free
Not debt ridden	In good shape

The best definition applied to the District in order to achieve the objective is **Sound**. Is the District disbursing funds in a sound manner? Sound can be further defined as the following, along with our specific procedures:

Legal - The District has obtained signed contracts for all Construction Projects. The Architects and Contractors' contracts were examined during testing of the sample of construction projects. The District appears to be spending SPLOST funds within the budget.

Dependable - Based upon testing of compliance with the resolution and actual projects which are being pursued by the District, it appears that the District will, at this point, achieve and can be relied on to complete, all of the projects that were contained in the resolution.

Practical - Per review of the scope of the projects, while we are not construction experts, the schools appear to be built or renovated in a very practical manner with no extravagant building techniques.

Thrifty - The District receives bids in order to obtain the lowest price for facilities and technology projects. We randomly reviewed the bid packets and summary bid sheets for projects in the sample.

Appropriate - The District appears to be addressing the needs for additional schools and are spending the SPLOST funds on new schools and additional technology in the existing schools, per testing of the expenditures of specific school projects.

We traced the information contained within the SPLOST resolution adopted on May 13, 1998 to individual school contracts, which detailed the project and the proposed budget for the projects. The contracts were then traced to the SPM2040 report, which is a SPLOST management report that sums project categories. That report details the activity, by project, for each school and presents the original budget, revised budget, expended to date, encumbrances, and available funds (revised budget minus expended to date and encumbrances).

Findings:

No exceptions were noted during the testing performed above. The District appears to be disbursing the SPLOST funds in a fiscally responsible manner and in compliance with the resolution.

ADEQUATE ADMINISTRATIVE CONTROLS

Objective:

Adequate administrative controls have been established to ensure the proper management of the sales tax proceeds received by the District.

Procedures:

We interviewed Glen Brown, SPLOST Accountability Manager, Larry Wall, Cobb County School District Construction Manager, Jan Hendrix, Cash Manager, David McKenna, Assistant Superintendent, School Improvement, Elementary Schools, and Bonnie Tedder, Accounting/Budget Manager, Financial Services/SPLOST Financing, to ascertain the procedures they perform in the management of the SPLOST funds. The interviews were used as a basis to determine administrative controls, which were used to test the actual procedures performed in the departments above. During the interviews, we obtained information on who approves invoices for SPLOST-related expenditures, who authorizes transfers from the bank account which holds the SPLOST funds for the payment of the SPLOST-related expenditures, and detailed procedures of the project's bid process.

We examined, as explained above, the construction files and invoices of construction projects for the schools being built or under renovation and technological improvements to determine that the administrative controls were adequate.

Findings:

No exceptions were noted during the testing performed above. The administrative controls appear adequate to ensure the proper management of the SPLOST funds.

COMPARABLE CONSTRUCTION EXPENDITURES

Objective:

The District's construction project expenditures are comparable to other school system building construction program expenditures in the Metro Atlanta area.

Procedures:

We contacted the Metropolitan Regional Educational Service Agency (MRESA), in order to obtain a survey of the Metro Atlanta Schools that have had building projects for the last five years. However, they had not performed such a survey since 1997. We performed substantive audit procedures of the District's historical construction costs of new and renovated schools by

conducting telephone interviews with the appropriate construction managers of other school districts in the Metro Atlanta area.

Findings:

Based upon interviews with various construction personnel and review of the historical costs of the District's construction projects, the current cost estimates appear to be comparable, considering inflation and other factors.

To determine accurate, comparable construction costs for the other metro systems, we contacted several school systems in the metro area and determined if any new schools were being built in that district and what the price per square foot of the construction was based on the type of school being built. We still must caution you to consider the different architectural designs, to which we cannot put a cost.

We used the above-mentioned interviews to compile the average price per square foot per school type constructed. (The average below includes the construction costs only, and excludes land, furniture and technology improvements.):

	Elementary Schools	
	<u>System Average</u>	<u>Actual Cost</u>
Clayton	\$	113
Dekalb		126
Gwinnett		104
Cobb		82
Average	\$	<u>106</u>

	Middle Schools	
	<u>System Average</u>	<u>Actual Cost</u>
Cobb	\$	86
Dekalb		95
Paulding		71
Douglas		<u>86</u>
Average	\$	<u>85</u>

	High Schools	
	<u>System Average</u>	<u>Actual Cost</u>
Dekalb	\$	103
Cobb		100
Average	\$	<u>102</u>

Per the chart above, Cobb County School District is below the average actual cost for elementary and middle schools compared to other Districts. The District is slightly above the average actual cost for high schools.

TECHNOLOGICAL EXPENDITURES ARE REASONABLE

Objective:

The District's technological expenditures are reasonable considering the volatile market environment for these products.

Procedures:

Reviewed bids from technological vendors to determine that the lowest bid is being approved. Reviewed invoices to determine that expenditures were charged correctly to the SPLOST fund and these expenditures traced back to the appropriate Request for Proposals (RFP) approved by the Board.

We reviewed invoices from Dell Computers, and selected other technological vendors for the fiscal year ending December 31, 2001. We selected vendors that represented a material portion of the SPLOST fund expenditures for technology.

We chose vendors that not only related to computers but all areas of technology such as Troxell Communications, Alltell Communications, and Capital Microscopes. These invoices were reviewed to determine that they were for the appropriate year, charged to the correct fund and the expenditure did, in fact, tie back to the Board approved RFP related to that vendor.

Findings:

The District's technological expenditures appear reasonable considering the volatile market.

INVESTMENT OF THE SALES TAX BOND PROCEEDS

Objective:

Investment of the sales tax proceeds received by the District has been conducted in a sound fiscal manner.

Procedures:

We ascertained that the School District never touches the SPLOST monies. SPLOST revenues are directly deposited into the Georgia Fund One in order for that revenue to draw interest immediately. There are no special restrictions per the SPLOST resolution as to how the revenue must be invested. Jan Hendrix keeps track of all revenue received. Therefore investments are considered in compliance with the SPLOST resolution.

Findings:

No exceptions were noted during procedures above. The District appears to be investing the sales tax proceeds in a sound fiscal manner.

GENERAL OVERVIEW

The staff in charge of the SPLOST revenue, to be used for new schools, major renovations, maintenance improvements, facilities' furniture and equipment, instructional and system-wide technology improvements, appear to be well-versed in the procedures and capable of disbursing the sales tax proceeds in accordance with the commitments made to the public.

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Cobb County Board of Education and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Audison, Hunt + Company LLC

Atlanta, Georgia
February 26, 2002

Cobb County Board of Education

**Schedule of Findings, Recommendations
and Administrative Responses
December 31, 2001**

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Findings:

No exceptions were noted.

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Objective:

Adequate administrative controls have been established to ensure the proper management of the sales tax proceeds received by the District.

Findings:

No exceptions were noted.

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Cobb County Board of Education

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