COBB COUNTY SCHOOL DISTRICT

REPORT OF AGREED UPON PROCEDURES

on the

SPECIAL PURPOSE LOCAL OPTION SALES TAX (SPLOST)

December 31, 2004
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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's (the "District") Special Purpose Local Option Sales Tax (SPLOST) Fund for the calendar year January 1, 2004 to December 31, 2004. 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 were tested over a six-year period beginning with the calendar year ended December 31, 1999 through the fiscal year ended December 31, 2004. This report reflects only the calendar year January 1, 2004 to December 31, 2004.

Certified Public Accountants & Business Consultants
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 budgeted SPLOST expenditures by category were 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. 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.

Our procedures and findings were as follows:

DISBURSEMENT OF SPLOST FUNDS

Objective:

To determine that the sales tax proceeds were disbursed in compliance with the SPLOST Resolution (the “Resolution”) approved by the Board on May 13, 1998.

Procedures:

We reviewed the SPLOST Resolution adopted on May 13, 1998, noting the proposed expenditures of sales tax revenue. First, we compared the proposed expenditures, on a test basis, to the categories of actual expenditures on internally prepared management summary reports. We then vouched a representative sample of the actual costs listed to the individual contracts and supporting documentation. Finally, we examined a cross-section of invoices, noting their classification and their compliance with the objectives of the Resolution.

Findings:

No exceptions were noted with respect to the District’s compliance with the directives of the SPLOST Resolution. Based on the testwork performed, the District appeared to be disbursing the SPLOST funds in compliance with the objectives of the Resolution.
ADEQUATE ADMINISTRATIVE CONTROLS

Objective:
To determine that administrative controls were established and appeared to be adequate to ensure the responsible fiscal management of the sales tax proceeds received by the District.

Procedures:
Through inquiry and observation we assessed the accounting controls in place. We reviewed the sufficiency, completeness, and adequacy of the administrative controls. We then tested the effectiveness of the controls. Specifically we examined, on a test basis, individual transactions of the school district to determine the effectiveness, application and adequacy of the administrative controls.

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

COMPARABLE CONSTRUCTION EXPENDITURES

Objective:
To determine that the District’s construction project expenditures were comparable to those of other school system building construction expenditures in the Metro Atlanta area.

Procedures:
We reviewed, calculated and tested Cobb County School District’s average unit cost of construction expenditures. We obtained and compared the similar cost data for comparable projects from neighboring Metro Atlanta area school districts.
Findings:

The construction expenditure average actual cost per square foot was:

<table>
<thead>
<tr>
<th>School System</th>
<th>Average Actual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cherokee</td>
<td>$93.64</td>
</tr>
<tr>
<td>Dekalb</td>
<td>90.65</td>
</tr>
<tr>
<td>Cobb</td>
<td><strong>102.78</strong></td>
</tr>
<tr>
<td>Gwinnett</td>
<td>103.35</td>
</tr>
<tr>
<td>Marietta City</td>
<td>110.78</td>
</tr>
<tr>
<td>Fulton</td>
<td>170.89</td>
</tr>
<tr>
<td>Average</td>
<td><strong>$112.02</strong></td>
</tr>
</tbody>
</table>

The tested construction expenditures of the District appeared to be comparable to those of the surrounding districts. No exceptions were noted.

CONSTRUCTION EXPENDITURES

Objective:

To determine that the District’s construction expenditures were reasonable and proper bidding procedures are followed by the District.

Procedures:

In the current year, we selected a sample of construction bids rather than technological bids to ensure the bid procedures were followed properly. It is the policy of the District to select the lowest bid price from the qualified bidders.

Findings:

The District appears to be following proper procedures in the bidding process. No exceptions were noted.
INVESTMENT OF THE SALES TAX BOND PROCEEDS

Objective:

To determine that the investment of the sales tax proceeds received by the District has been conducted in a sound fiscal manner.

Procedures:

We inquired of management as to the method of receipt of the sales tax proceeds, also noting how the funds were invested. On a test basis we verified the timeliness of deposits, reviewed both the performance and the nature of the investments, and determined whether the assets were invested according to SPLOST or district guidelines.

Findings:

SPLOST revenues are directly deposited into the Georgia Fund One, a fund operated by the State of Georgia Office of Treasury. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). The District has invested the funds in a manner consistent with district guidelines. No exceptions were noted.
GENERAL OVERVIEW

We performed the aforementioned tests and noted no incidences of non-compliance in the administration of the sales tax proceeds under the control of the Cobb County School District as directed by the Resolution.

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.

Atlanta, Georgia