



# Cherokee County School District Education Capital Improvements Sales and Use Tax Audit

*May 1, 2015-June 30, 2022*

April 4, 2023

South Carolina Department of Revenue  
300A Outlet Point Boulevard  
Columbia, South Carolina 29210

## **I. INTRODUCTION**

The South Carolina Department of Revenue (Department) conducted an audit of the Cherokee County School District Education Capital Improvements Sales and Use Tax. The Department has a duty to ensure public accountability and transparency regarding the expenditures of the Education Capital Improvements Sale and Use Tax revenue collected, by utilizing its authority as the administrator of the tax.

## **II. AUDIT OBJECTIVE & SCOPE**

The purpose of this audit was to perform an independent and objective compliance audit of the Cherokee County Education Capital Improvements Sales and Use Tax. The audit scope included review of the expenditures and collection of the sales tax revenue for the period from May 1, 2015 to June 30, 2022.

## **III. BACKGROUND**

The Education Capital Improvements Sales and Use Tax Act (SC Code Section 4-10-420) empowers counties to impose, pursuant to a referendum, a sales and use tax not to exceed 1% within its jurisdiction for a specific purpose or purposes and for a specific period of time. The revenue from the tax is to be used to pay for capital improvements provided in the resolution and included in the referendum question directly, to service general obligation bond debt incurred by the county for such improvements, or a combination of these purposes.

In the 2014 General Election, Cherokee County voters approved a referendum on the imposition of the 1% Sales and Use tax for a period of fifteen years beginning May 1, 2015.

## **IV. AUDIT SUMMARY**

As noted in the 2014 referendum, all revenue received from the sales and use tax would be used to pay the costs of the education capital improvement projects and to pay debt service on general obligation bonds, if any, issued by Cherokee County School District to fund the capital improvement projects.

To verify collections, we compared Cherokee County's School District State Treasurer's Office Report to South Carolina Department of Revenue's Allocation Report. We verified these funds were accounted for in Cherokee County's "1 C/O Local Sales Tax" account. To verify expenses, we reviewed all withdrawals from the "2016A GO Bond" LGIP account. We compared these withdrawals to the supporting invoices for the capital projects. Debt service on the general obligation bonds was verified against the Debt Service Schedule and payments from Cherokee County's "1 C/O Local Sales Tax" account.

## V. TAX COLLECTION

Cherokee County School District collected \$46,789,347.29 in 1% Education Capital Improvements Sales and Use Tax for the audit period. Bond proceeds including bond premium used to fund the approved projects was \$67,239,017.12. Below is a list of the Cherokee County School District's Education Capital Improvement Projects as approved in the 2014 referendum that reflects the actual expenditures from May 2015 through June 2022. (**For informational purposes only**):

<b>Cherokee County School District Education Capital Improvement Projects</b>			
<b>Project</b>	<b>Original Budget</b>	<b>Actual Expenditures</b>	<b>Budget Variance</b>
Alma Elementary School	\$ 433,500	\$ 431,251	\$ 2,249
BD Lee Elementary School	16,425,000	18,711,884	(2,286,884)
Blacksburg Elementary School	433,500	325,050	108,450
Blacksburg High School	7,493,649	6,593,526	900,123
Blacksburg Middle School	3,405,000	1,810,604	1,594,396
Blacksburg Primary School	193,500	101,426	92,074
Corinth Elementary School	1,019,000	876,080	142,920
Draytonville Elementary School	1,019,000	956,100	62,900
Ewing Middle School	1,945,000	1,760,966	184,034
Gaffney High School	2,430,000	2,204,379	225,621
Gaffney Middle School	2,724,000	1,241,834	1,482,166
Goucher Elementary School	433,500	216,882	216,618
Granard Middle School	1,945,000	565,074	1,379,926
Grassy Pond Elementary School	2,669,000	2,868,287	(199,287)
Institute of Innovation <sup>(1)</sup>	18,713,000	19,890,748	(1,177,748)
Limestone Central Elementary School	433,500	842,982	(409,482)
Luther Vaughan Elementary	433,500	542,404	(108,904)
Mary Bramlett Elementary	3,875,058	1,874,294	2,000,764
Northwest Elementary	2,669,000	2,747,189	(78,189)
District Office - Project Management Architectural and Engineering <sup>(2)</sup>	-	5,379,508	(5,379,508)
<b>Total</b>	<b>\$ 68,692,707</b>	<b>\$ 69,940,470</b>	<b>\$ (1,247,763)</b>

<sup>(1)</sup> Cherokee Technology Center was renamed Institute of Innovation

<sup>(2)</sup> Pre construction and administrative costs that were for multiple projects. Although not a separate project on the referendum, it was part of the overall approved projects.

Overages paid with non CPST funds.

## **VI. FINDINGS**

During the audit, it was discovered that \$5,000,000 was inadvertently paid from the “1 C/O Local Sales Tax” account for an operating expense claim instead of the General Fund. Also, \$7,820,100 in bond payments was paid from the General Fund and should have been paid from the “1 C/O Local Sales Tax” account. These monies were repaid to the correct funds after the audit period concluded.

## **VII. CONCLUSION**

For the audit period, and the corrections made subsequent to the audit, we conclude Cherokee County School District’s Education Capital Improvements records are in compliance with the Education Capital Improvements Sales and Use Tax Act and the 2014 referendum. The Education Capital Improvements Sales and Use Tax revenue was used for capital improvements listed on the 2014 referendum or to service general obligation bond debt for the projects listed on the referendum. Additionally, bond proceeds were expended only on the improvements indicated on the referendum.

## **VIII. RECOMMENDATION**

Although Cherokee County School District is in compliance with the Education Capital Improvements Sales and Use Tax Act and the 2014 referendum, we recommend Cherokee County School District document bond withdrawals with a detailed request form. This form would state the total amount to be withdrawn along with detail of the capital project invoices paid from the general fund that would be reimbursed by the bond proceeds.