



# Colleton County Capital Projects Sales Tax Audit

*May 1, 2015-June 30, 2022*

March 23, 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 Colleton County Capital Projects Sales Tax. The Department has a duty to ensure public accountability and transparency regarding the expenditures of the Capital Projects Sales 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 Colleton County Capital Projects Sales 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 Capital Projects Sales Tax Act (SC Code Section 4-10-300) 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 projects 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, Colleton County voters approved a referendum on the imposition of the 1% Sales and Use tax for a period of eight 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 capital projects and to pay debt service on general obligation bonds, if any, issued by Colleton County to fund the capital projects.

To verify collections, we compared Colleton County's Detail Account Inquiry by Fund account (CPST Sales Tax Revenue) to the South Carolina Department of Revenue's Allocation Report. We verified these funds were accounted for in Colleton County's Local Option CP Sales Tax account. To verify expenses, we reviewed a selection of capital project transactions from the general ledger and verified supporting invoices and payments. Debt service on the general obligation bonds was verified against the Debt Service Schedule and Colleton County's Detail Account Inquiry by Fund. We verified funds were paid from the Colleton County Pooled Operating account.

## V. TAX COLLECTION

Colleton County collected \$32,753,841 in 1% Capital Projects Sales and Use Tax for the audit period. Bond proceeds used to fund the approved projects was \$28,789,000. Below is a list of the Colleton County projects as approved in the 2014 referendum that reflects the actual expenditures from May 2015 through June 2022. Four additional projects approved during the FY22 Budget Workshop are also included. Funding for these additional projects were approved as part of the annual budget Ordinance 21-O-05.

**(For informational purposes only):**

| Colleton County Capital Projects                                                                                  |                      |                                          |                      |                        |
|-------------------------------------------------------------------------------------------------------------------|----------------------|------------------------------------------|----------------------|------------------------|
| Project                                                                                                           | Original Budget      | Additional Budget<br>(Ordinance 21-O-05) | Actual Expenditures  | Budget Variance        |
| Beach Restoration                                                                                                 | \$ 4,000,000.00      | \$ -                                     | \$ 4,000,000.00      | \$ -                   |
| <b><i>I-95 Business Loop Improvements <sup>(2)</sup></i></b>                                                      | 6,646,947            |                                          | 4,533,563            | 2,113,384              |
| Colleton County Airport Terminal Renovation                                                                       | 1,690,000            |                                          | 2,332,932            | (642,932)              |
| Colleton County Law Enforcement Center                                                                            | 5,170,000            |                                          | 9,150,514            | (3,980,514)            |
| Colleton County Solid Waste Transfer Station                                                                      | 1,880,000            |                                          | 1,846,762            | 33,238                 |
| Hampton Street Auditorium Renovation                                                                              | 1,732,000            |                                          | 6,526,256            | (4,794,256)            |
| Hampton, Washington, Ivanhoe Water Line                                                                           | 143,397              |                                          | 702,305              | (558,908)              |
| Hampton, Washington, Ivanhoe Water Line                                                                           | 548,413              | 229,019                                  | 319,393              | 458,039                |
| <b><i>Colleton County Rural Water Improvement <sup>(2)</sup></i></b>                                              | 1,560,000            | 1,650,000                                | 1,175,441            | 2,034,559              |
| Well Pump for Lodge and Backup Generator for Lodge, Smoaks and Williams                                           | 210,000              |                                          | 94,679               | 115,321                |
| Recreation Center Improvements, Fitness Center, Splashpad and Gymnasium Expansion                                 | 3,220,000            |                                          | 4,825,691            | (1,605,691)            |
| Water/Wastewater to serve Airport Parcel C (combined with Venture Park & listed as one project on the referendum) | 350,000              |                                          | 691,703              | (341,703)              |
| Water/Wastewater to serve Venture Park (combined with Airport Parcel C & listed as one project on the referendum) | 350,000              |                                          | 1,591,052            | (1,241,052)            |
| Harrelson Building Customer Service Center                                                                        | 1,910,000            | 1,162,758                                | 2,897,453            | 175,305                |
| Town of Cottageville Recreational Area                                                                            | 290,000              |                                          | 290,000              | -                      |
| <b><i>Harrleson Building Renovations <sup>(1) (2)</sup></i></b>                                                   |                      | 1,150,000                                | 49,461               | 1,100,539              |
| <b><i>Green Pond Community Center <sup>(1) (2)</sup></i></b>                                                      |                      | 297,768                                  | 147,050              | 150,718                |
| CPST Design <sup>(1)</sup>                                                                                        |                      | 100,000                                  | 53,406               | 46,594                 |
| Town of Edisto Water Design <sup>(1)</sup>                                                                        |                      | 112,000                                  | 112,000              | -                      |
| <b>Total</b>                                                                                                      | <b>\$ 29,700,757</b> | <b>\$ 4,701,545</b>                      | <b>\$ 41,339,661</b> | <b>\$ (11,638,904)</b> |

<sup>(1)</sup> Council approved additional projects during the FY22 Budget Workshop meeting. Funding was approved as part of the annual budget ordinance 21-O-05. State law (SC Code Section 4-10-340) allows for the overage to be spent on additional projects as long as the county approved through an ordinance. Collections through December 2022: \$36,591,930.15.

<sup>(2)</sup> As of 6/30/22, projects are ongoing.

Overages paid with excess CPST collections and non CPST funds.

## **VI. FINDINGS**

According to SC Code Section 4-10-340 (C)(3) remaining CPST funds “may only be expended for the purposes set forth in Section 4-10-330 (A)(1) following an ordinance specifying the authorized purpose or purposes for which the funds will be used”. The approved FY22 annual budget Ordinance 21-O-05 lists the amount for the Capital Projects Sales Tax Fund in the amount of \$4,701,545 but did not list the associated approved projects.

## **VII. CONCLUSION**

For the audit period, this audit concludes Colleton County’s CPST records are in compliance with the Capital Projects Sales and Use Tax Act and the 2014 referendum. The Capital Projects Sales and Use Tax revenue was used for projects listed on the 2014 referendum, for additional projects approved through an ordinance or to service general obligation bond debt for the projects listed on the referendum. Additionally, bond proceeds were expended only on the projects indicated on the referendum.

## **VIII. RECOMMENDATION**

Although Colleton County is in compliance with the Capital Projects Sales and Use Tax Act and the 2014 referendum, we recommend Colleton County create an operating expense account specifically for the authorized capital improvement projects. Currently, Colleton County pays expenses whether related to authorized capital projects or regular operating expenses from the same account. Having a separate account where the capital project expenses are not comingled with other routine expenses, would make for a better audit trail in order to identify all transactions related to those projects.