



Darlington County School District  
Education Capital Improvements Sales and Use Tax Audit  
*March 1, 2017 - June 30, 2021*

April 19, 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 Darlington 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 Sales 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 Darlington County School District 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 March 1, 2017 to June 30, 2021.

## **III. BACKGROUND**

The Education Capital Improvements Sales and Use Tax Act 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 2016 General Election, Darlington County voters approved a referendum with two ballot questions. One, to impose a 1% Education Capital Improvements Sales and Use Tax not to exceed 15 years. The revenue of the tax would be used to pay (directly or indirectly) the costs of the education capital improvement projects indicated in the referendum and to pay debt service on general obligation bonds. The second ballot question was to allow Darlington County School District to issue and sell, either as a single issue or as several issues, general obligation bonds in a principal amount not to exceed \$60,000,000. The proceeds would be used to finance all costs for the projects indicated in the referendum.

## **IV. AUDIT SUMMARY**

To verify collections, we compared the deposit amounts indicated on the South Carolina Department of Revenue's Allocation Report to the deposit amounts indicated on the General Ledger Reports for Darlington County School District. We also verified that the deposits were accounted for in the Darlington County School District Education Capital Improvements bank account (titled "Darlington County SC SD Sales Tax Custodian DSF"). To verify expenses, we reviewed a selection of capital project transactions from Darlington's cumulative check register and verified supporting invoices and payments from their South Carolina Office of State Treasurer Local Government Investment Pool (LGIP) Statement. As of June 30, 2021, the balance of the LGIP account was \$19,620,610.96. Debt service payments on the general obligation bond was verified against the Debt Service Schedule and the payments from the Darlington County School District Education Capital Improvements bank account.

## V. TAX COLLECTION

Darlington County School District collected \$27,433,977 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 \$65,831,785. Below is a list of the Darlington County School District projects as approved by the 2016 referendum that reflects the actual expenditures from March 1, 2017 through June 30, 2021 (**For informational purposes only**):

Darlington County School District Education Capital Improvements Projects			
Project	Original Budgeted Cost For Three Projects	Actual Expenditures For Individual Projects	Budget Variance
1. New elementary school in the City of Darlington	\$ 60,000,000	\$ 20,706,889	\$ 5,045,562
2. New elementary school in the Town of Lamar		\$ 22,049,714	
3. New elementary school in the City of Hartsville		\$ 22,288,959	
<b>Total</b>	<b>\$ 60,000,000</b>	<b>\$ 65,045,562</b>	<b>\$ (5,045,562)</b>
Note: Overage paid for with non Education Capital Improvements funds and bond premium (Total of \$5,045,562)			

## VI. FINDINGS

During the audit, it was found that Darlington County School District was unable to provide supporting documentation for two (\$40,728,406.37 and \$2,211,461.48) of six withdrawals indicated on their LGIP statements. It was determined that prior to February 28, 2018 (start date for new CFO), the document used to request fund transfers that were submitted from Darlington County School District to the County Treasurer, did not break down the request for funds between appropriate accounts on the County's books. Since then, Darlington County School District has modified their claim form to include the details of requested funds. The two aforementioned withdrawals were transfers made to correct the County's books and all accounts were reconciled by June 2019.

## VII. CONCLUSION

For the audit period, this audit concludes Darlington County School District is in compliance with the Education Capital Improvements Sales and Use Tax Act and the 2016 referendum. The Education Capital Improvements Sales and Use Tax revenue was used for projects listed on the 2016 referendum or to service general obligation bond debt incurred by the county for those projects.

## VIII. RECOMMENDATION

Although Darlington County School District is in compliance with the Education Capital Improvements Sales and Use Tax Act and the 2016 referendum, we recommend that Darlington County School District perform timely (weekly, biweekly, monthly) withdrawals from the LGIP account for the exact amount of the capital projects' expenses to make for a cleaner audit trail and make it easier to identify related expenses paid from the LGIP account. This process will

increase transparency and aid in understanding of when and how the funds in the LGIP account are being spent.