



Horry County School District Education Capital Improvements Sales and Use Tax Audit

July 1, 2017-June 30, 2022

October 31, 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 Horry County School District's 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 Horry County School District's Education Capital Improvements Sales and Use Tax. The audit scope included review of the expenditures and collection of the sales tax revenue originally for the period of program inception from March 21, 2009 to June 30, 2022. At the County School District's CFOs request, we revised the audit period to include the most recent five year period, July 1, 2017 to June 30, 2022 due to documentation retention.

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 school district, or a combination of these purposes.

In the 2008 General Election, Horry County voters approved a referendum on the imposition of the 1% Sales and Use tax for a period of fifteen years beginning May 1, 2009. The referendum stated the revenue of the tax would be split with 80% going to Horry County School District, 13.3% to Coastal Carolina University and 6.7% to Horry-Georgetown Technical College.

IV. AUDIT SUMMARY

As noted in the 2008 referendum, Horry County School District's 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 Horry County School District.

To verify collections and that the funds were accounted for, we compared the State Treasurer's Office Collections report for Horry County School District to Horry County School District's Debt Service Fund account on the General Ledger. To verify expenses, we reviewed withdrawals from the penny tax project funds on the General Ledger. We compared these withdrawals to the supporting invoices and additional documentation for the capital projects. Debt service on the general obligation bond was verified against the Debt Service Schedule and the payments from the Debt Service Account.

V. TAX COLLECTION

Horry County School District collected \$362,536,464 in 1% Education Capital Improvements Sales and Use Tax for the audit period. Below is a list of the Horry County School District's Education Capital Improvement Projects as approved in the 2008 referendum that reflects the actual expenditures from May 2009 through June 2022. **(For informational purposes only):**

Horry County School District Education Capital Improvement Projects			
Project	Original Budget	Actual Expenditures	Budget Variance
Facilities Administration	20,000,000	\$ 16,535,797	\$ 3,464,203
Conway Area School Projects	1,368,119	1,368,119	\$ -
Cons Capital Improvement Proj	3,561,350	3,561,354	\$ (4)
Technology	30,000,000	29,917,331	\$ 82,669
\$86M Technology Plan	86,000,000	60,994,971	\$ 25,005,029
Technology for Facilities	2,175,261	2,176,043	\$ (782)
Phase IV Building Program	83,773,209	83,773,209	\$ -
2011-12 Facility Plan	16,297,536	16,296,792	\$ 744
Short-Term Capital Plan 13-20	327,665,073	327,560,612	\$ 104,461
Sustainment & Upkeep Projects	72,000,000	54,041,089	\$ 17,958,911
Blg Modification & Renovation	57,000,000	39,488,536	\$ 17,511,464
Equipment	5,000,000	3,291,036	\$ 1,708,964
Emergency Repair	10,000,000	7,392,791	\$ 2,607,209
2021-2024 Building Program	109,317,809	4,152,297	\$ 105,165,512
Capital Improvements FY 12	6,808,220	6,792,059	\$ 16,161
Total	830,966,577	\$ 657,342,036	\$ 173,624,541

VI. FINDINGS

During the audit, it was discovered that \$221,148.76 in non-qualified expenses was charged to the penny tax account. Horry County School District's CFO corrected this issue during the audit by reimbursing the Debt Service Fund (penny tax fund) from the General Fund. The CFO has acknowledged that these types of expenses will no longer be paid with penny tax funds.

VII. CONCLUSION

With the exception of the above finding, this audit concludes Horry County School District's Education Capital Improvements records are in compliance with the Education Capital Improvements Sales and Use Tax Act and the 2008 referendum. The Education Capital Improvements Sales and Use Tax revenue was used for capital improvements listed on the 2008 referendum or to service general obligation bond debt.