Laurens County
Capital Project Sales Tax Audit

May 1, 2021 - June 30, 2022

September 28, 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 Laurens County Capital Project Sales and Use Tax. The Department has a duty to ensure public accountability and transparency regarding the expenditures of the Capital Project 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 Laurens County Capital Project 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, 2021 to June 30, 2022.

III. BACKGROUND

The Capital Project Sales and Use 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 2020 General Election Laurens County voters approved a referendum on the imposition of the 1% Sales and Use tax for a period of eight years beginning May 1, 2021 through June 30, 2029.

IV. AUDIT SUMMARY

As noted in the 2020 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 Laurens County to fund the capital projects.

To verify collections, we compared the deposit amounts indicated on the South Carolina State Treasurer's Collections Report for Laurens County to the South Carolina Department of Revenue's Allocation Report. We also verified these funds were accounted for in the Laurens County Capital Penny Tax deposit account. To verify expenses, we reviewed a selection of capital project transactions from the general ledger and verified supporting invoices. Debt service on the general obligation bonds was verified against the Debt Service Schedule and the payments from the Laurens County Capital Penny Tax deposit account.

V. TAX COLLECTION

Laurens County collected $6,968,911 in 1% Capital Project Sales and Use Tax for the audit period. The County also issued a $23,490,000 General Obligation (GO) Bond, to fund the approved projects. Below is a list of the Laurens County projects as approved by the 2020 referendum that reflects the actual expenditures from May 2021 through June 30, 2022 (**<u>For informational purposes only</u>**):

Laurens County Capital Projects						
Project		**Budgeted Cost**		**Actual Expenditures**		**Budget Variance**
1 Laurens County Parks and Recreation Projects	$	1,727,500	$	553,888	$	1,173,612
2 Clinton Regional Library	$	4,300,000	$	1,450	$	4,298,550
3 Historic Courthouse	$	3,550,766	$	340,657	$	3,210,109
4 Agriculture and Business Center	$	7,983,008	$	1,213,520	$	6,769,488
5 Fountain Inn Infrastructure Project	$	912,000	$	22,875	$	889,125
6 E911 Radio Upgrades	$	2,481,496	$	844,659	$	1,636,837
7 Laurens County Airport	$	500,000	$	75,013	$	424,987
8 Veterans Monuments and Memorial Park	$	414,200	$	10,500	$	403,700
9 Laurens County Water and Sewer Commission Water Tower	$	1,994,755	$	145,425	$	1,849,330
10 Martha Dendy Community Center	$	756,000	$	-	$	756,000
11 Laurens County EMS-Medic 1 Renovations	$	314,500	$	18,344	$	296,156
12 Laurens County Animal Shelter	$	280,000	$	-	$	280,000
13 Laurens County Trails Association	$	300,000	$	-	$	300,000
14 Town of Gray Court Park	$	891,220	$	-	$	891,220
15 City of Clinton Infrastructure	$	6,528,443	$	95,436	$	6,433,007
16 Laurens County Sheriff's Evidence Storage Facility	$	1,964,250	$	259,512	$	1,704,738
Total	**$**	**34,898,138**	**$**	**3,581,278**	**$**	**31,316,860**

VI. FINDINGS

During the audit, it was found that Capital Project Sales and Use Tax projects were not funded in priority order as indicated in the 2020 referendum. Project number 1-9, 11, 15, and 16 received funding, however, project number 10 and 12-14 received no funding. The Finance Director stated that most of the "zero" projects are coordinated by other agencies in the county; therefore, their staff/committees started their projects as materials/schedules permitted. The Finance Director also stated that all the projects with zero actual expenditures in FY 20-21, currently have some expenses charged to them.

VI. CONCLUSION

For the audit period, this audit concludes that with the exception of one finding, Laurens County's Capital Project Sales and Use Tax records are in compliance with the Capital Projects Sales and Use Tax Act and the 2020 referendum. The Capital Project Sales and Use Tax revenue was used for projects listed on the 2020 referendum or to service general obligation bond debt incurred by the county for those projects. Additionally, bond proceeds were expended only on the projects indicated on the referendum.

VIII. RECOMMENDATION

Although Laurens County is in compliance with the Capital Projects Sales and Use Tax Act and the 2020 referendum, we recommend that Laurens County perform timely (weekly, biweekly, monthly) withdrawals from the LGIP account for the exact amount of the capital project expenses to make for a cleaner audit trail and make it easier to identify related expenses paid from the LGIP account. An LGIP withdrawal number should also be indicated on the Request for Payment Forms that the County currently prepares and sends (along with individual invoices) to the County Treasurer. This process would make for a better audit trail in order to match invoice payments to individual LGIP withdrawals.

Also, we recommend that Laurens County create an operating expense bank account specifically for the authorized capital improvement projects. Currently, Laurens County pays expenses whether related to authorized capital projects or regular operating expenses from the same bank account. Having a separate bank 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.