Newberry County
Capital Projects Sales Tax Audit

July 1, 2017-June 30, 2020

January 19, 2022

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 Newberry 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 Newberry County Capital Projects Sales Tax. The audit scope included review of the expenditures and collection of the sales tax revenue for the period from July 1, 2017 to June 30, 2020.

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 2016 General Election, Newberry County voters approved a referendum on the reimposition of the 1% Sales and Use tax for a period of seven years beginning May 1, 2017.

IV. AUDIT SUMMARY

In summary, we obtained reasonable assurance that Newberry County expended the Capital Projects Sales Tax revenue in accordance with the Capital Projects Sales Tax Act and the 2016 referendum. As noted in the 2016 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 Newberry County to fund the capital projects.

To verify collections, we compared the South Carolina State Treasurer's Collections Report for Newberry County to the South Carolina Department of Revenue's Allocation Report. We verified those funds were accounted for in Newberry County's 2017 Capital Projects Sales Tax (CPST) account.

We reviewed capital project transactions from the General Ledger Reports and verified the transactions on the 2017 CPST and SC Local Government Investment Pool (LGIP) account statements. Debt service on the general obligation bonds was verified against the Debt Service Schedule and the transfers from the General Obligations Bond Series 2017A account.

V. TAX COLLECTION AND PROJECT EXPENSES

Newberry County collected $12,489,678.27 in 1% Capital Projects Sales and Use Tax for the audit period. Bond proceeds including bond premium used to fund the approved projects was

$21,653,493.30. Below is a list of the Newberry County projects as approved by the referendum that reflects the actual expenditures through June 2020:

Newberry County Capital Projects (FY17-FY20)						
Project		Budgeted Cost		Actual Expenditures		Budget Variance
800 MHZ Emergency Services Radio System	$	7,400,000	$	7,595,230	$	(195,230)
City of Newberry- Recreational Complex Construction		4,075,000		4,075,000		-
**County of Newberry-Newberry Museum		2,200,000		2,375,251		(175,251)
City of Newberry- Opera House HVAC Improvements		155,000		149,387		5,613
Town of Prosperity Recreational Complex Improvements		770,000		770,000		-
Consolidated Fire District-Water Supply Improvement		1,000,000		920,401		79,599
**Town of Whitmire-Town Hall/Police Department Remodel/Upgrades		1,000,000		956,198		43,802
Town of Pomaria- Old Pomaria School Building Renovation		655,000		671,227		(16,227)
Town of Little Mountain-Computer Center and Library Upgrades		245,000		244,990		10
Town of Silverstreet - Demolition/Walking Track		700,000		653,376		46,624
**Newberry County-Detention Center Repairs/imp		1,600,000		2,100,000		(500,000)
Newberry County Wager & Sewer Authority-Mid Carolina Commerce Park		1,400,000		1,400,000		-
	$	**21,200,000**	**$**	**21,911,061**	**$**	**(711,061)**
****Funding from additional sources (Total of $700,282)**						
County Administrator approved over-runs for 800MHZ, Pomaria and Museum to be funded from over-collections.						

VI. FINDINGS

During the audit, we discovered that a duplicate withdrawal from CPST 2017 checking account (Penny Tax Revenue) for Project #866 in the amount of $3,370,000 occurred on 5/17/17 and 7/17/17. It was not corrected until 5/7/18. Controls need to be established in order to identify errors timely.

VII. CONCLUSION

For the audit period, this audit concludes Newberry County is in compliance with the Capital Projects Sales and Use Tax Act and the 2016 referendum. The Capital Projects 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 Newberry County is in compliance with the Capital Projects Sales and Use Tax Act and the 2016 referendum, we recommend Newberry County create an operating expense account specifically for the authorized capital improvement projects. Currently, Newberry 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.

A second recommendation is to improve transaction documentation on the project ledgers. Currently transaction adjustments are not properly noted. Detailing the adjustments would increase transparency and accurately reflect project transactions.