Sumter County
Capital Projects Sales Tax Audit

July 1, 2017-June 30, 2020

October 11, 2021

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 Sumter 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 Sumter 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 2014 General Election, Sumter County voters approved a referendum on the reimposition of the 1% Sales and Use tax for a period of seven years beginning May 1, 2016.

IV. AUDIT SUMMARY

In summary, we obtained reasonable assurance that Sumter County expended the Capital Projects Sales Tax revenue in accordance with the Capital Projects Sales Tax Act and the 2014 referendum. 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 Sumter County to fund the capital projects.

To verify collections, we compared the South Carolina State Treasurer's Collections Report for Sumter County to the South Carolina Department of Revenue's Allocation Report. We verified those funds were accounted for in Sumter County's General Fund checking account. This account, however, was not used solely for deposits of the 1% Sumter County Capital Projects Sales & Use tax revenue or associated bond proceeds. It was noted that these funds are pooled with other deposits and ACH transfers.

We reviewed capital project transactions from the Detailed Transaction Report and verified the transactions on the AP checking account statements. This checking account is not only used to pay expenses for the approved capital projects but also used to pay other expenses including operating expenses. Debt service on the general obligation bonds was verified against Debt Service Schedule and the transfers from the General Fund checking account.

V. TAX COLLECTION AND PROJECT EXPENSES

Sumter County collected $45,173,372.11 in 1% Capital Projects Sales and use Tax for the audit period. Bond proceeds including bond premium used to fund the approved projects was $46,383,049.45. Below is a list of the Sumter County projects as approved by the referendum that reflects the actual expenditures through June 2020:

Sumter County Capital Projects (FY17-FY20)

Project	Budgeted Cost	Actual Expenditures	Budget Variance
New E911 Emergency Services Facility	$ 10,000,000	$ 2,848,074	$ 7,151,926
Police Station	5,000,000	5,000,084	(84)
Headquarters Fire Station	5,600,000	5,600,084	(84)
Industrial Infrastructure	2,000,000	-	2,000,000
Manning Avenue Bridge	2,500,000	33,250	2,466,750
Manning Avenue Corridor	4,000,000	3,697,016	302,984
N. Main St Corridor	1,000,000	1,010,995	(10,995)
Wilson Hall Rd and Wise Drive Intersection	600,000	333,804	266,196
Wilson Hall Rd at Carter Rd and Wesmark	900,000	295,491	604,509
Administration Bldg Renovations	2,800,000	3,466,760	(666,760)
Dillon Park Renovations	2,750,000	3,009,724	(259,724)
Pinewood Sports and Wellness Complex	200,000	-	200,000
Mayesville Downtown Revitalization	875,000	644,156	230,844
Shot Pouch Greenway	4,000,000	672,062	3,327,938
County Paving	8,900,000	8,488,462	411,538
County Resurfacing	3,100,000	3,301,265	(201,265)
Downtown Building Renovations	1,500,000	176,618	1,323,382
Downtown Sumter Intersections and Inf	3,000,000	273,546	2,726,454
Recreation Renovations	6,000,000	1,118,562	4,881,438
CCTC Industrial Engineering Bldg	1,000,000	1,000,000	-
Prop and Bldg Acquisition	2,200,000	358,864	1,841,136
Millcreek Renovations	275,000	246,431	28,569
Animal Control Building	300,000	299,999	1
Palmetto Park Renovations	500,000	16,000	484,000
Courthouse restoration	3,000,000	2,774,811	225,189
Carnegie Library Renovations	300,000	-	300,000
Community Sidewalks	2,300,000	566,219	1,733,781
Comm-Wide Demolition of Distressed	1,000,000	968,371	31,629
Total	**$ 75,600,000**	**$ 46,200,648**	**$ 29,399,352**

VII. CONCLUSION

For the audit period, this audit concludes Sumter County is 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 or to service general obligation bond debt incurred by the county for those projects.

VII. RECOMMENDATION

Although Sumter County is in compliance with the Capital Projects Sales and Use Tax Act and the 2014 referendum, we recommend that Sumter County make changes to the type of account the collected revenue and associated bond proceeds are transferred to by the County Treasurer. The funds currently reside in a non-interest bearing checking account with BB&T and are pooled with other County funds. It is recommended that the County place the funds in a Local Government Investment Pool (LGIP) account or another interest bearing account in order for the County to earn additional monies. The County had the ability to earn interest on over $91M for the audit period had they placed the funds in an interest bearing account.

A second recommendation is to create an expense account specifically for the authorized capital projects. Currently, Sumter 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.