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**REPORT TO THE SUBCOMMITTEE ON
INTERGOVERNMENTAL RELATIONS
COMMITTEE ON
GOVERNMENT OPERATIONS
UNITED STATES SENATE**



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**Case Studies Of Revenue Sharing
In 26 Local Governments**

ENCLOSURE B

Clarke County, Mississippi 12779

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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SUMMARY

At the request of the Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations, GAO conducted case studies on general revenue sharing at 26 selected local governments throughout the country, including Clarke County, Mississippi. S. 1502

For the period January 1, 1972, through June 30, 1974, Clarke County was allocated \$941,965 in revenue sharing funds, or \$62.59 per capita. Of the amount allocated, \$832,607 was received by June 30, 1974, and \$109,358 was received in July 1974. The revenue sharing funds allocated to Clarke County were equivalent to about 73.8 percent of its own tax collections.

The Chairman's letter listed seven areas on which the Subcommittee wanted information. Following is a brief description of the selected information GAO obtained on each area during its review of Clarke County.

1. The specific operating and capital programs funded in part or in whole by general revenue sharing in each jurisdiction. Clarke County had expended \$478,676 through June 30, 1974, with \$55,868 being designated for use in financing operating expenses in the functions of public safety, public transportation, health services, and recreation. The remaining \$422,808 was designated for such capital expenditures as road working equipment, bridges, parking lots, fire fighting equipment, and acquiring and improving various public buildings.

2. The fiscal condition of each jurisdiction, including its surplus or debt status. An analysis of the ending balances of Clarke County's funds for fiscal years 1969-73 showed no significant increasing or decreasing trend. Outstanding debt of the county remained relatively constant during the period 1969-73 and was consistently below the borrowing limit imposed by the State.

3. The impact of revenue sharing on local tax rates and any changes in local tax laws, and an analysis of local tax rates vis-a-vis per capita income. Clarke County levies property taxes based on the assessed valuation of land, buildings, automobiles, and personal business property.

The county's board of supervisors establishes the tax rates each year, and these rates have been gradually increasing. Although the State has established upper limits for tax rates for certain specific purposes, the current rates are in most cases below these limits. County officials stated that the county was in good fiscal condition but, without revenue sharing, tax increases would have been necessary.

GAO's calculations indicated that the percentage of family income that was paid to the county, other local governments--including the city and school districts--and to the State government changed slightly as family income increased. A family with a 1973 income of \$7,500 paid 6.4 percent of its income in State and local taxes; a family with an income of \$12,500 paid 6.2 percent; while a family with an income of \$17,500 paid 6.9 percent.

4. The percentage of the total local budget represented by general revenue sharing. As of September 30, 1973 (the end of its fiscal year), the county had received \$504,542 in revenue sharing funds. Of this total, it received \$161,375 in 1972. The county did not include revenue sharing funds in its formal budget for 1973, when it expended \$188,846 in revenue sharing funds--an amount equivalent to about 12.6 percent of the 1973 budget.

Formal budgeting of revenue sharing funds did not take place until fiscal year 1975. In the intervening period, expenditure of revenue sharing funds was approved by county officials by means of resolutions which did not fix a time period for spending the amount of funds covered by each resolution.

5. The impact of Federal cutbacks in three or four specific categorical programs and the degree, if any, that revenue sharing has been used to replace those cutbacks. In addition to revenue sharing, Clarke County received Federal aid of \$21,293, \$18,087, and \$8,119 in fiscal years 1972, 1973, and 1974, respectively. Estimated 1975 receipts were \$1,231,571, which includes a \$1.2 million grant for a new hospital. The only significant reduction was in the grants under the Emergency Employment Act. After these funds were no longer available, the county retained and paid with its own funds the three employees working under this program.

6. The record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law. According to the 1970 census, Clarke County's civilian labor force totaled about 5,248 persons, of which 39 percent were female and 27 percent were black. As of June 1974, the county government work force consisted of 69 persons, of which 22 percent were female and 13 percent were black. Females were employed mainly in clerical positions. County officials stated that the low number of blacks in the county work force was due to such factors as (1) lack of job experience and qualifications and (2) better opportunities in the private labor market. The officials also said no one had been denied a county job because of race or sex.

GAO found no complaints or civil rights suits filed against Clarke County regarding discrimination in employment or use of revenue sharing funds.

The county used revenue sharing funds to finance the construction of 11 capital projects. GAO found that the contracts that were subject to the Davis-Bacon provision as implemented by Office of Revenue Sharing regulations did not contain, when awarded, the required area wage rates and contract clauses. However, the county amended the active contracts to incorporate the required provisions after a Department of Labor representative apprised the county of this noncompliance.

GAO's review indicated that the county complied with the prevailing wage provision of the Revenue Sharing Act.

7. Public participation in the local budgetary process, and the impact of revenue sharing on that process. There is no requirement for public hearings on the Clarke County budget. Although meetings of the board of supervisors to consider and approve the budgets are open to the public, county officials said there is little citizen interest in the budgetary process and in the planning for use of revenue sharing funds. County officials said the only effort made to publicize the revenue sharing program was to publish the required planned and actual use reports.

CHAPTER 1

INTRODUCTION

The State and Local Fiscal Assistance Act of 1972 (Public Law 92-512), commonly known as the Revenue Sharing Act, provides for distributing about \$30.2 billion to State and local governments for a 5-year program period beginning January 1, 1972. The funds provided under the act are a new and different kind of aid because the State and local governments are given wide discretion in deciding how to use the funds. Other Federal aid to State and local governments, although substantial, has been primarily categorical aid which generally must be used for defined purposes. The Congress concluded that aid made available under the act should give recipient governments sufficient flexibility to use the funds for their most vital needs.

On July 8, 1974, the Chairman, Subcommittee on Intergovernmental Relations, Senate Committee on Government Operations, requested us to conduct case studies on general revenue sharing at 26 selected local governments throughout the country. The request was part of the Subcommittee's continuing evaluation of the impact of general revenue sharing on State and local governments. The Chairman requested information on

- the specific operating and capital programs funded by general revenue sharing in each jurisdiction;
- the fiscal condition of each jurisdiction;
- the impact of revenue sharing on local tax rates and tax laws, including an analysis of tax burden on residents of each jurisdiction;
- the percentage of the total budget of each jurisdiction represented by general revenue sharing;

- the impact of Federal cutbacks in several categorical programs and the degree, if any, that revenue sharing has been used to replace those cutbacks;
- the record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law; and
- public participation in the local budgetary process and the impact of revenue sharing on that process.

Clarke County, Mississippi, is one of the 26 selected local governments, which include large, medium, and small municipalities and counties as well as a midwestern township.

BACKGROUND INFORMATION ON
CLARKE COUNTY

Clarke County is in east central Mississippi and has a land area of about 700 square miles. The population (according to the 1970 census) is 15,049. Quitman is the largest city and also the county seat.

In 1970 Clarke County had a civilian labor force of about 5,300, of which about 190, or 4 percent, were employed in agriculture. Most of those employed worked in manufacturing, wholesale, and retail. Major industries include a charcoal plant, denim mill, hosiery mill, knitting mill, and lumber and pulpwood companies. The county leads the State in production of oil and pulpwood products.

The following statistics showing the economic and education situation in Clarke County were furnished by the Mississippi Research and Development Center, a State-funded agency monitoring the labor and employment aspects of the Mississippi economy.

	<u>1970 average per capita income</u>	<u>1969 median family income</u>
Clarke County	\$2,114	\$5,786
Mississippi	2,597	6,071
United States	3,933	9,590

The development center reported that in 1969, the most recent year available, about 33 percent of the families in Clarke County earned incomes below the poverty level.

Clarke County is governed by an elected five-member board of supervisors. The county is divided into five road districts, each represented by a board member who serves a 4-year term. The board is responsible for the county's legislative and financial decisions and maintains the county road and bridge system. In terms of dollars spent, the road and bridge system is the county government's primary responsibility.

Board meetings are open to the public and are scheduled twice each month. During these meetings, the board makes budget decisions, allocates funds, and approves all county expenditures. The board must officially approve all expenditures before actual payments are made. The county is on a strict cash basis and the accounting system does not recognize outstanding obligations or commitments. (See ch. 3.)

The county government provides services other than road construction to its citizens through various governmental departments. These departments are headed by countywide elected officials.

The chancery clerk maintains official county records and serves as the financial officer and official clerk for the board of supervisors. He prepares and maintains all the accounting records and prepares the annual budget for submission to the board.

The tax assessor-collector is responsible for maintaining the tax rolls and collecting all ad valorem taxes levied within the county. He also establishes the assessments on buildings. The State assigns the assessment for automobiles, and the board of supervisors establishes the assessment for land.

The sheriff is responsible for law enforcement within the county, assisted by city and State authorities.

The coroner is responsible for investigating causes of deaths.

Clarke County has two public health clinics and a welfare office. Actual services are funded from State and Federal sources, and the facilities are staffed with State employees. The county also maintains an ambulance service and a home for its poor and aged.

Two independent school districts within the county provide elementary and secondary education; these districts are funded by tax collections and Federal and State grants. The county tax assessor-collector collects the taxes and turns them over to the respective school districts.

The State has primary responsibility for providing cash welfare payments, parks, and public libraries. The county and the city provide funds to supplement the State in operating the library in Quitman.

REVENUE SHARING ALLOCATION

Revenue sharing funds are allocated according to a formula in the Revenue Sharing Act. The amount available for distribution within a State is divided into two portions--one-third for the State government and two-thirds for all eligible local governments within the State.

The local government share is allocated first to the State's county areas (these are geographical areas, not county governments) using a formula which takes into account each county area's population, general tax effort, and relative income. Each individual county area amount is then allocated to the local governments within the county area.

The act places constraints on allocations to local governments. The per capita amount allocated to any county area or local government unit (other than county government) cannot be less than 20 percent, nor more than 145 percent, of the per capita amount available for distribution to local governments throughout the State. The act also limits the allocation of each unit of local government (including county governments) to not more than 50 percent of the sum of the government's adjusted taxes and intergovernmental transfers. Finally, a government cannot receive funds unless its allocation is at least \$200 a year.

To satisfy the minimum and maximum constraints, the Office of Revenue Sharing uses funds made available when local governments exceed the 145 percent maximum to raise the allocations of the State's localities that are below the 20 percent minimum. To the extent these two amounts (amount above 145 percent and amount needed to bring all governments up to 20 percent) are not equal, the amounts allocated to the State's remaining unconstrained governments (including county governments) are proportionally increased or decreased.

Clarke County was not constrained at the 50 percent level in any of the first four entitlement periods (January 1, 1972, through June 30, 1974), but constraints applied to other governments in the State resulted in an increase in Clarke County's allocation.

Our calculations showed that if the allocation formula were applied in Mississippi without all the act's constraints, Clarke County's allocation for the period January 1, 1972, through June 30, 1974, would have been \$877,523, instead of its final allocation of \$934,034. The total payments to the county for the same period were \$941,965. This included \$109,358 received in July 1974. The payment for the next entitlement period will be reduced by \$7,931, the difference between initial and final allocations.

The following schedule compares revenue sharing per capita and revenue sharing as a percentage of adjusted taxes for Clarke County with Issaquena and Hinds Counties-- which received the highest and lowest per capita amounts,

respectively, of the State's 82 counties--and with Tishomingo County, whose population of 14,940 is closest to Clarke County's 15,049.

Revenue sharing funds received for the period
January 1, 1972, through June 30, 1974

<u>County</u>	<u>Received (note a)</u>	<u>Per capita share</u>	<u>As a percent of taxes (note b)</u>
Clarke	\$ 941,965	\$ 62.59	73.8
Issaquena	282,957	103.38	60.6
Hinds	3,951,277	18.38	32.8
Tishomingo	693,778	46.44	69.2

^aIncludes payment received in July for quarter ending June 30, 1974.

^bFiscal year 1971 and 1972 taxes, as defined by the Bureau of the Census, were used and adjusted to correspond to the 2-1/2-year period covered by the revenue sharing payments.

The total revenue sharing received by the 82 county governments in Mississippi for the same period was \$98,985,207, or a per capita amount of \$46.54.

CHAPTER 2

BUDGETING AND PUBLIC PARTICIPATION

IN THE BUDGETARY PROCESS

The funding structures for all Mississippi counties are established by State law to provide statewide consistency in accounting. Each county has five general groups of funds which require separate accounting to show each fund's assets, liabilities, reserves, and equities as well as its revenues and disbursements.

1. General fund--accounts for all activities not properly accounted for in another fund. Its primary revenue sources are taxes, fees, penalties, and commissions. The general fund finances:
 - Office and administration, judicial and law enforcement, charity, public welfare, farm and home services, and operation and maintenance of public buildings and grounds.
 - Public health and treatment of the indigent sick.
 - Maintenance for the school districts and Jones County Junior College.
 - Offices of the sheriff and the tax assessor-collector.
 - Support of the Pat Harrison Waterway Commission, Clarke County airport, public library, Weems Mental Health Complex, and the soil conservation district.
2. Road and bridge funds--finance maintenance and construction of roads and bridges within Clarke County. Revenue sources are State collections of motor vehicle fuel tax; severance taxes on oil, gas, and timber production in the county; and a 7 mill ad valorem tax levied on county property owners.

3. Debt service fund--accounts for all long-term debt revenues, expenditures, interest payments, and bond retirement payments.
4. Sixteenth-section principal funds--represent income and expenditures from a portion of county property set aside by State law to provide money for the maintenance of schools. The main revenue source is income from timber cutting operations, and the expenditures consist of direct payments to the school districts.
5. Construction funds--account for receipts and disbursements used for acquiring capital facilities financed with receipts from bond issues and from Federal and other grants.

RELATIONSHIP OF REVENUE
SHARING TO THE BUDGET

Clarke County received its first revenue sharing payment of \$161,375 in December 1972. By September 30, 1973, the end of its 1973 fiscal year, the county had received four payments totaling \$504,542. Although it did not include revenue sharing funds in its formal budget for 1973, the county expended \$188,846 of such funds in that year, equivalent to about 12.6 percent of the 1973 county budget. The county and school budgets for fiscal years 1972 and 1973 were as follows:

	<u>1972</u>	<u>1973</u>
County government budget	\$1,431,661	\$1,494,439
Total budgets for Quitman and Enterprise school districts	<u>1,932,699</u>	<u>2,044,691</u>
Total	<u>\$3,364,360</u>	<u>\$3,539,130</u>

The county did not formally budget revenue sharing funds until fiscal year 1975. Up to that time, expenditure of revenue sharing funds was approved by the county board of supervisors by formal resolutions. On January 25, 1973, the board passed a resolution approving the planned use of the first two revenue sharing payments, totaling \$316,230.

Of this amount, \$206,230 was designated for operations and maintenance purposes and \$110,000 for capital purposes. A second resolution was passed by the board on June 22, 1973, approving the use of the next two payments, totaling \$188,312, for capital purposes. Finally, the board passed a resolution on September 12, 1973, approving the use for capital purposes of the four payments, totaling \$437,423, expected to be received during the fiscal year ended September 30, 1974. None of the above resolutions specified the time period in which the designated amounts of revenue sharing funds were to be spent. We were unable to relate the amount of funds in any of these resolutions to a specific budgetary period, to specific county functions or departments, or to any of the line items in the county's budgetary forms.

The Clarke County budgets for fiscal years 1973 and 1974, exclusive of revenue sharing funds, and for fiscal year 1975, which includes revenue sharing funds, are shown below.

	<u>Fiscal year</u>		
	<u>1973</u>	<u>1974</u>	<u>1975</u>
Board of supervisors	\$ 101,870	\$ 101,050	\$2,351,867
Chancery clerk	97,325	70,500	74,700
Circuit clerk	17,500	22,800	40,200
Tax assessor	48,481	52,866	58,597
Sheriff's office	78,706	78,031	88,383
Fire department	-	-	22,000
Health department	27,700	28,100	28,100
Welfare department	49,500	19,500	24,000
Library	3,600	3,600	3,600
Road districts	690,800	571,152	948,394
Debt service fund	<u>378,957</u>	<u>414,820</u>	<u>488,041</u>
Total	<u>\$1,494,439</u>	<u>\$1,362,419</u>	<u>\$4,127,882</u>

As shown in the table, the county's budgets for fiscal years 1973 and 1974 were fairly constant. In fiscal year 1975, however, the budget increased by about \$2.8 million. This includes a \$1.2 million Federal grant, a \$1 million local bond issue for construction of a new county hospital, and \$421,474 in revenue sharing funds, as detailed below.

<u>Department/expenditure category</u>	<u>Budgeted revenue sharing funds</u>
Board of supervisors (note a)	\$ 38,400
Fire department (note b)	24,000
Sheriff's office	11,580
Road districts	327,560
General fund (note c)	<u>19,934</u>
Total	<u>\$421,474</u>

^aThis amount has been designated for ambulance services.

^bAfter the county's overall 1975 budget was approved, the board of supervisors decided to spend an additional \$2,000 on the fire department, but the original budget was not amended to reflect the increase.

^cThis amount has not been allocated to a particular department but Clarke County officials said it will probably be distributed to the road districts for the construction and maintenance of roads and bridges.

PUBLIC INVOLVEMENT IN BUDGETARY PROCESS

Clarke County's normal budgetary process requires each department to submit a combined annual operating and capital budget to the chancery clerk's office in July for the budget period beginning in October. The chancery clerk's office consolidates the individual budgets into the county budget for submission to the board of supervisors. After the board approves this budget in one of its regular meetings in August, it is published in the local newspaper.

County officials told us that although the board is not required to hold public budget hearings, the meetings at which the budgets are approved are open to the public. They further stated that there is very little citizen interest in the budgetary process or plans for using revenue sharing funds. The only effort made by county officials to publicize the revenue sharing program consisted of publishing the planned and actual use reports required by the revenue sharing regulations.

According to county officials, the only organizations expressing interest in obtaining revenue sharing funds were volunteer fire departments and the local public library. These organizations have traditionally received some financial support from Clarke County. A member of the Quitman volunteer fire department, who also serves as the vice mayor of Quitman, said available data concerning revenue sharing funds was adequate, although it was no more comprehensive than data dealing with other county financial matters. A spokesperson for the library was not available for comment.

We discussed the county's revenue sharing activities with representatives of two local black citizen groups and one private black citizen. They all said they were satisfied with the way the county government was operating, including its use of revenue sharing funds. However, none attended the board meetings or participated in the county's budgetary process.

CHAPTER 3

PROGRAMS FUNDED WITH REVENUE SHARING

Clarke County was allocated \$941,965 in revenue sharing funds for the period January 1, 1972, through June 30, 1974. Of the amount allocated, \$832,607 was received by June 30, 1974, and \$109,358 was received in July 1974. As of June 30, 1974, interest earned from investment of the funds totaled \$10,912. Of the \$952,877 allocated and the interest earned thereon, the county had expended \$478,676 and had \$474,201 remaining.

USES OF REVENUE SHARING

The uses of revenue sharing funds described in this chapter are those reflected by Clarke County's financial records. As we have pointed out in earlier reports on the revenue sharing program ("Revenue Sharing: Its Use by and Impact on State Governments," B-146285, Aug. 2, 1973, and "Revenue Sharing: Its Use by and Impact on Local Governments," B-146285, Apr. 25, 1974), fund "uses" reflected by the financial records of a recipient government are accounting designations of uses. Such designations may have little or no relation to the actual impact of revenue sharing on the recipient government.

For example, in its accounting records, a government might designate its revenue sharing funds for use in financing environmental protection activities. The actual impact of revenue sharing on the government, however, might be to reduce the amount of local funds which would otherwise be used for environmental protection, thereby permitting the "freed" local funds to be used to reduce tax rates, to increase expenditures in other program areas, to avoid a tax increase or postpone borrowing, to increase yearend fund balances, and so forth.

Throughout this case study, when we describe the purposes for which revenue sharing funds were used, we are referring to use designations as reflected by county financial records.

Functional uses

Our review of revenue sharing expenditures by Clarke County through June 30, 1974, showed that about 70 percent was used for highway and bridge construction and repair and for purchasing road working equipment. About 23 percent was used for public health, welfare, and public buildings, and the remaining 7 percent was spent on public safety and recreation.

Of the \$478,676 of revenue sharing funds expended by the county as of June 30, 1974, \$55,868 was spent for operations and maintenance and \$422,808 was spent for capital projects. The following table shows the broad functional and specific uses by the county of revenue sharing funds.

Operations and Maintenance

Public safety:		
Two deputy sheriffs' salaries	\$12,891	
Fire fighting suits, hoods, boots, and other operating costs	<u>4,466</u>	\$17,357
Public transportation:		
Building materials for road and bridge maintenance		23,044
Health services:		
Countywide ambulance service	12,800	
Utility bills and office supplies	<u>257</u>	13,057
Recreation:		
Lighting fixtures and concrete for tennis court repairs		<u>2,410</u>
Total		<u>\$55,868</u>

Capital Expenditures

Highways and streets:		
Road working equipment	\$164,671	
Courthouse and health clinic parking lots	13,950	
Construction of new bridges	<u>135,815</u>	\$314,436
Hospitals and clinics:		
Land and building acquisition and renovation costs		67,359
Public safety:		
Used fire truck	6,500	
Fire fighting equipment	2,015	
Construction of fire station	<u>4,000</u>	12,515
General public buildings:		
Improvements to commerce building	1,276	
Improvements to courthouse	431	
Office equipment	<u>781</u>	2,488
Other:		
Welfare building (note a):		
Engineering and planning fees	2,250	
Construction progress payments	<u>23,760</u>	<u>26,010</u>
Total		<u>\$422,808</u>

^aThe total cost of the welfare building is about \$92,000. The remaining costs will probably be paid with revenue sharing funds.

We were informed that the board plans to use \$300,000 of the remaining \$474,201 in revenue sharing funds for road and bridge projects and about \$174,000 for the fire department, welfare building, health clinics, recreation, and other operating purposes.

ACCOUNTING FOR REVENUE SHARING FUNDS

Clarke County's revenue sharing trust fund is composed of accounts in three local banks. The accounts were established by the board of supervisors in response to requests by the banks involved. All deposits and disbursements of revenue sharing funds are made through these accounts by authorization from the board. The board authorizes investments and expenditures of revenue sharing funds by resolutions adopted during its regular sessions. To date, all investments have been in the form of certificates of deposit at the three banks.

After the board approves an expenditure, a warrant is issued against one of the three bank accounts. According to county officials, this practice is consistent with the methods used to account for other county funds. Since the county is on a cash system, the authorizations and the disbursements are approved simultaneously at the board meetings.

The chancery clerk's office maintains, for each of the three bank accounts, a revenue sharing ledger showing receipts, disbursements, and the balance. Individual disbursements are also shown in the warrant docket (check register) by warrant number, dollar amount, and purpose of expenditure. Voucher documents (invoices) showing the board's approval of the expenditures are also maintained to support the revenue sharing ledger.

AUDITS OF REVENUE SHARING

As of November 1974, the Mississippi State Department of Audit was auditing Clarke County activities for fiscal year 1973. This audit includes revenue sharing funds but is limited to financial matters and does not deal with compliance requirements. However, the State Auditor has recently agreed to audit expenditures of revenue sharing funds using standards established by the Treasury Department,

which include compliance with special provisions of the Revenue Sharing Act.

CHAPTER 4

COMPLIANCE PROVISIONS

OF THE REVENUE SHARING ACT

The act provides that, among other requirements, each recipient shall

- create a trust fund in which funds received and interest earned will be deposited. Funds will be spent in accordance with laws and procedures applicable to expenditure of the recipient's own revenues;
- use fiscal, accounting, and audit procedures which conform to guidelines established by the Secretary of the Treasury;
- not use funds in ways which discriminate because of race, color, national origin, or sex;
- under certain circumstances, not use funds either directly or indirectly to match Federal funds under programs which make Federal aid contingent upon the recipient's contribution;
- observe requirements of the Davis-Bacon provision on certain construction projects in which the costs are paid out of the revenue sharing trust fund;
- under certain circumstances, pay employees who are paid out of the trust fund not less than prevailing rates of pay; and
- periodically report to the Secretary of the Treasury on how it used its revenue sharing funds and how it plans to use future funds. The reports shall also be published in the newspaper and the recipient shall advise the news media of the publication of such reports.

Further, local governments may spend funds only within a specified list of priority areas.

For purposes of this review, we gathered selected information relating to the nondiscrimination, Davis-Bacon, and prevailing wage provisions.

NONDISCRIMINATION PROVISION

The act provides that no person in the United States shall, on the ground of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with general revenue sharing funds.

Clarke County officials said that they had no formal policy regarding nondiscrimination in employment. They also were not aware of any State or local agencies responsible for civil rights enforcement. We later confirmed that Mississippi has no State agency responsible for civil rights enforcement.

Comparison of local government work force and civilian labor force

According to the 1970 census, the most recent detailed information available, the civilian labor force of Clarke County consisted of 5,248 persons, identified by race and sex as shown below.

	<u>Civilian Labor Force</u>					
	<u>Male</u>		<u>Female</u>		<u>Total</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Total	<u>3,168</u>	<u>61</u>	<u>2,080</u>	<u>39</u>	<u>5,248</u>	<u>100</u>
Black	867	17	546	10	1,413	27

Information furnished us by county personnel shows that as of June 30, 1974, the county government employed 69 people, as follows:

County Government Work Force

	<u>Male</u>		<u>Female</u>		<u>Total</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
White	47	68	13	19	60	87
Black	<u>7</u>	<u>10</u>	<u>2</u>	<u>3</u>	<u>9</u>	<u>13</u>
Total	<u>54</u>	<u>78</u>	<u>15</u>	<u>22</u>	<u>69</u>	<u>100</u>

Detailed breakdowns of the county government work force as of June 30, 1974, and of new hires during the year ended June 30, 1974, are presented in appendixes I and II.

The county government's employment statistics indicate variances between the race and sex percentages in the local civilian labor force and the county government work force. County officials stated that they were not alarmed by the indicated variances.

They further stated that the government traditionally hires more men, due to the heavy manual labor associated with road and bridge repair. Females are employed mainly in clerical positions. The board of supervisors explained that the low number of blacks in the county government work force was due to factors such as lack of work and job experience qualifications and an unwillingness to remain as full-time employees. They added that no individual had been denied a job because of race or sex. The officials also stated there was little demand for county jobs because of better employment opportunities in the private labor market.

Services and capital projects

Our observation of services and capital projects funded with revenue sharing funds disclosed no obvious discrimination.

We found no complaints or civil rights suits pending or filed against Clarke County regarding discrimination in employment or use of revenue sharing funds. There were also no civil rights complaints filed with the U.S. Equal Employment Opportunity Commission district office in Jackson, Mississippi.

We contacted representatives of the black community and a local black voters league to obtain their views

regarding the county's employment practices and use of revenue sharing funds. These individuals made no discrimination complaints against the county and expressed satisfaction with the county's expenditure of revenue sharing funds.

DAVIS-BACON PROVISION

The Revenue Sharing Act provides that all laborers and mechanics, employed by contractors and subcontractors to work on any construction project of which 25 percent or more of the cost is paid out of the revenue sharing trust fund, shall be paid wage rates which are not less than rates prevailing for similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended.

Office of Revenue Sharing regulations implementing this provision require that contracts exceeding \$2,000 shall contain a provision stating the minimum wages to be paid various classes of laborers and mechanics as determined by the Secretary of Labor. Further, the contract shall stipulate that the contractor shall pay wage rates not less than those stated in the specifications, regardless of any contractual relationships alleged to exist between the contractor and such laborers and mechanics. A further contract stipulation is that there may be withheld from the contractor so much of accrued payments as considered necessary by the contracting officer to pay to laborers and employees the difference between wage rates required by the contract and rates actually received.

Clarke County contracted for the construction of 11 capital projects with revenue sharing funds which required compliance with Office of Revenue Sharing regulations. The projects included a welfare building, parking lots, and nine bridges. The contracts were not in accordance with the regulations in that they did not contain the required area wage rates and contract clauses. However, after a Department of Labor official informed the county of this non-compliance, the county amended 10 of the 11 contracts to include the required clauses. One contract had been completed before the county officials were informed of their noncompliance. County officials stated that they had not been aware of all of their responsibilities under the act

but would comply with its requirements in the future. The wages paid under the contracts were in compliance with the wages specified for the area.

The Davis-Bacon provision had no effect on Clarke County's decision to use revenue sharing funds for construction projects. County officials said construction costs of the projects were not increased by the provision because area contractors normally pay wages in excess or equal to those required by the provision.

PREVAILING WAGE PROVISION

The Revenue Sharing Act provides that certain recipient employees whose wages are paid in whole or in part out of the revenue sharing trust fund shall be paid at rates which are no lower than the prevailing rates for persons employed in similar public occupations by the recipient government. The individuals covered by this provision are those in any category where 25 percent or more of the wages of all employees in the category are paid from the trust fund.

Clarke County paid the salaries of various county employees with revenue sharing funds, including two deputy sheriffs and laborers working on county projects. These employees were paid wages comparable to those paid to other Clarke County employees in similar occupations.

CHAPTER 5

FINANCIAL STATUS

TREND OF FUND BALANCES

There has been no significant increasing or decreasing trend in Clarke County's fund balances during the last 5 years, as shown in the following table (revenue sharing funds are not included).

Funds	Fiscal year ended September 30				
	1969	1970	1971	1972	1973
Road and bridge	\$166,027	\$ 120,109	\$160,384	\$ -1,067	\$347,199
General county	80,154	21,279	32,491	56,084	100,867
Debt service	62,337	43,801	72,968	35,572	1,926
16th section	27,476	28,811	32,054	38,517	49,636
Construction	106,827	795,160	291,869	181,762	-84,760
Total (note a)	<u>\$442,821</u>	<u>\$1,009,160</u>	<u>\$589,766</u>	<u>\$312,868</u>	<u>\$414,868</u>

^aThese amounts represent the difference between current assets and current liabilities, as compiled by the Mississippi State Department of Audit.

Clarke County does not maintain its own pension fund. Its employees are covered under the State's retirement system. Under this plan, both the county and its employees contribute to the retirement program based on a percentage of the employee's annual earnings. The county is responsible to the State for remitting all contributions to the Public Employees' Retirement System of Mississippi. This agency, created by State law in 1952, establishes the contribution rate necessary to keep the program actuarially sound.

INDEBTEDNESS

Clarke County issues several types of bonds:

1. County purposes--The board of supervisors can issue bonds for a wide variety of capital improvement projects as well as noncapital purposes, such as the rental of voting machines and election equipment, repairs to facilities, and property and planning costs. This type of bond was used to finance improvements to the courthouse and jail and to purchase school buses.
2. School purposes--The board of supervisors can issue bonds on behalf of the two independent school districts. The proceeds of outstanding bonds of this

type are used by the school boards for facility improvements.

3. Industrial purposes--The board of supervisors may issue industrial bonds and use the proceeds to encourage new businesses to locate in Clarke County. Any new business receiving the proceeds of the bond issue is responsible for repayment, and business assets are used as collateral. If a firm fails to meet its obligation under an industrial bond issue, the county must levy an ad valorem tax to service the issue. The outstanding bonds of this type relate to a knitting mill, creosote plant, charcoal plant, and box factory.

Bond issues for county and school purposes are serviced by ad valorem tax levies.

Clarke County's outstanding debt balances by major purpose at the end of 5 recently completed fiscal years are shown below. Bonds issued by Clarke County have not been rated by any of the national rating services.

<u>Purpose of debt</u>	<u>Fiscal year ended September 30</u>				
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
	----- (000 omitted) -----				
County	\$ 362	\$ 340	\$ 316	\$ 291	\$ 265
School	513	481	454	427	400
Industrial	<u>1,492</u>	<u>2,240</u>	<u>2,040</u>	<u>1,843</u>	<u>1,639</u>
Total bonded debt	<u>\$2,367</u>	<u>\$3,061</u>	<u>\$2,810</u>	<u>\$2,561</u>	<u>\$2,304</u>

Borrowing procedures

In order to issue bonds, the board of supervisors must adopt a resolution declaring such intention and the purpose and amount. The resolution must be published in a local newspaper once a week for at least 3 consecutive weeks prior to the date fixed for issuing the bonds.

The bonds may be issued if a petition protesting the issuance is not filed by 20 percent, or 1,500, whichever is less, of the qualified county voters. If a petition is filed, the bonds may be issued only if a three-fifths majority of the electors vote in favor of the issue.

Within the last 3 years, there has been only one instance of voter rejection of a bond issue--a proposed issue of \$125,000 for school purposes. A county official said a similar proposal was later introduced by the board of supervisors and the bonds were issued without a vote because there was no petition protesting the action.

Borrowing restrictions

The Mississippi Code restricts the amount of general purpose debt that a county may incur to 10 percent of the assessed value of taxable property within the county. In addition, the county can incur debt for school purposes not to exceed 15 percent of the assessed property value within the school district. As of the last audited fiscal year--1972--the county's general purpose debt was less than 25 percent of the maximum allowed, and the two school district debts were approximately 44 and 13 percent of the maximum.

TAXATION

Major taxes levied

Clarke County levies only property taxes. Residents are required to pay annual taxes on the basis of assessed value of their land, building, and automobiles. The 1973 tax rates for residents of the Quitman and Enterprise school districts were 46.75 and 53.75 mills, respectively. We were informed that property in Clarke County is assessed as follows:

- Land is valued at \$9 per acre for uncultivated plots and \$11 per acre for cultivated (cleared) plots.

- Automobiles are assigned a value for tax purposes by the State Tax Commission on the basis of year, make, and body style of the automobile.

--Buildings are assessed at about 12 to 15 percent of their original cost, regardless of the age of the property, and adjusted by any known improvement costs. The 12 to 15 percent range is caused by different tax assessors' determinations of original cost. No attempts have been made by local tax assessors to systematically reassess property. Therefore, it is apparent that the assessed value of property in Clarke County has very little to do with the actual or fair market value of the property. As a result, ad valorem taxes may be much greater for an individual who owns a new home than for one who owns an older home with a much greater fair market value but a lower original cost.

Business owners are required to pay an additional tax on the basis of the value of the personal property of their business. This tax is assessed on 20 percent of the cost of the property, excluding machinery. The assessment for machinery is determined by the State Tax Commission.

Clarke County's total tax receipts for the last 5 completed fiscal years have increased because of gradual increases in the tax rates for county purposes and an overall increase in the assessed value of property and motor vehicles. However, there was a slight decrease in the school district tax rates during this period. The combined tax rate for county and school purposes for a resident of the Quitman school district decreased from 47.25 mills in 1968-69 to 46.75 mills in 1972-73, and for a resident of the Enterprise school district it decreased from 54.50 mills to 53.75 mills.

Total tax collections for the county and school districts for the last 5 fiscal years are shown below.

County Taxes

	<u>Fiscal year</u>				
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Property taxes	\$485,389	\$500,389	\$546,092	\$617,144	\$624,330

School District Taxes

	<u>Fiscal year</u>				
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Property taxes:					
Quitman school district	\$243,201	\$227,433	\$211,222	\$221,301	\$246,089
Enterprise school district	<u>109,080</u>	<u>101,369</u>	<u>83,346</u>	<u>92,136</u>	<u>106,783</u>
Total	<u>\$352,281</u>	<u>\$328,802</u>	<u>\$294,568</u>	<u>\$313,437</u>	<u>\$352,872</u>

Taxing limitations

The board of supervisors establishes the tax rates each year and the chancery clerk certifies that the rates comply with Mississippi law and are made a part of public record. The Mississippi Code established certain statutory maximums applicable to various individual general county and school district tax levies. However, the maximums do not present any major limitation problems because the county can issue bonds to provide additional funds for purposes that have statutory limitations, as long as it does not exceed legal borrowing restrictions. Although the county is taxing at its limit for certain specific purposes, overall tax rate increases are possible and permitted by law for other specific purposes in both the general county and school district taxes.

The following table shows the current property taxes levied by the Clarke County board of supervisors compared to applicable State statutory limitations.

<u>Purpose of tax</u>	<u>Millage</u>		
	<u>1975</u> <u>levy</u>	<u>Statutory</u> <u>limitation</u>	<u>Increase</u> <u>possible</u>
Countywide purposes:			
General county	6.00	7.00	1.00
Treatment of indigent sick and public health	.50	2.00	1.50
Support of the poor	1.00	(a)	(a)
Maintenance and construc- tion of roads	7.00	7.00	-
Maintenance and expenses of schools	7.50	(b)	(b)
Maintenance of Jones County Junior College	2.75	3.00	.25
Pat Harrison Waterway Commission	.50	.50	-
Clarke County airport	.25	(a)	(a)
Clarke County public library	.50	2.00	1.50
Servicing of bonds for courthouse and jail	1.00	(c)	(c)
Support of Weems Mental Health Complex	.50	2.00	1.50
Sheriff and tax assessor- collector	2.00	2.00	-
Servicing of bonds for a hospital	4.00	(c)	(c)
Support of soil conserva- tion district	.25	.50	.25

School district purposes:

Quitman consolidated school district	15.00	20.50	5.50
Enterprise school district	17.00	20.50	3.50
Quitman school district sinking fund	.50	(c)	(c)
Quitman school note	2.00	(c)	(c)
Enterprise school district sinking fund	5.00	(c)	(c)
Enterprise school note	2.00	(c)	(c)

^aAmount of tax is based upon need established by the board of supervisors.

^bMinimum local ad valorem tax effort is specified by the State Board of Education in terms of total dollars required. The levy, in mills, is then set by the board of supervisors to generate this minimum.

^cAmount of tax is established to be sufficient to pay the bond or note principal and interest.

On the basis of 1975 tax assessments, countywide revenues could be increased at least 18 percent and school purpose revenues could be increased at least 27 percent. Total tax revenues could be increased by approximately \$271,000, or from \$1,292,000 to \$1,563,000.

The county has the authority to levy additional taxes to pay principal and interest on bonds issued for purposes listed previously in this chapter. Other taxes, which are permitted under State law but not levied, are a 0.25 mill tax for the operation and maintenance of fire trucks and fire fighting equipment and a 1 mill tax for the maintenance of a garbage and rubbish disposal system. Both of these taxes would have to be included in the 7 mill limitation placed on general county purpose taxes.

County officials stated that, although the county government is in good fiscal condition, there would have been tax increases if the county had not received revenue sharing funds. The majority of the revenue sharing funds were spent on maintenance and construction of roads and bridges. Without these funds, the county would have had to issue bonds to pay for the new road and bridge construction which, in turn, would have required additional taxes to service and repay the bonds.

Family tax burden

We computed the taxes that Clarke County residents living in the city of Quitman would pay by assuming such things as level of income, size of family, and value of real property holdings for three hypothetical families. Each of the three families depicted below had four family members and had income solely from wages earned by the head of the household.

<u>Assumptions</u>	<u>Family</u>		
	<u>A</u>	<u>B</u>	<u>C</u>
Annual income (all wages)	\$ 7,500	\$12,500	\$17,500
Value of house	18,750	31,250	43,750
Value of personal property (all furniture)	1,500	2,500	3,500
Market value of car (note a)	1,700	1,800	2,300
Gallons of gasoline consumed annually	1,000	1,000	1,500

a/Family C has two cars.

The following table shows the 1973 tax burden for each of the three hypothetical Clarke County families.

<u>Tax</u>	<u>Family</u>		
	<u>A</u>	<u>B</u>	<u>C</u>
County:			
Property (including automobiles and home)	\$ <u>93.48</u>	\$ <u>149.08</u>	\$ <u>214.76</u>
City:			
Real property	<u>53.80</u>	<u>85.80</u>	<u>123.60</u>
School district:			
Quitman school district taxes levied on real property assessments	<u>47.08</u>	<u>75.08</u>	<u>108.15</u>
State:			
Gasoline	85.00	85.00	127.50
Income	-	112.50	300.00
Sales	<u>198.00</u>	<u>272.00</u>	<u>335.00</u>
Total	<u>283.00</u>	<u>469.50</u>	<u>762.50</u>
Total	<u>\$477.36</u>	<u>\$779.46</u>	<u>\$1,209.01</u>
Total as percentage of income	<u>6.4</u>	<u>6.2</u>	<u>6.9</u>

The above schedule reflects most taxes that a Clarke County family would pay with the given assumptions. However, other taxes levied by the State that may have an impact on the resident include utility, telephone, tobacco, wine and beer, and amusement taxes.

CHAPTER 6

OTHER FEDERAL AID

FEDERAL AID RECEIVED

The Federal aid received by Clarke County for the 3 most recently completed fiscal years, not including revenue sharing funds, consisted of two grants--a Law Enforcement Assistance Administration grant and an Emergency Employment Act grant. During fiscal year 1975, the county expects to receive an additional Federal grant of about \$1,200,000 for a new hospital. Federal funds received and expected for these programs are as follows:

<u>Program</u>	<u>Fiscal year ended September 30</u>			
	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975 (est.)</u>
Law Enforcement As- sistance Admin- istration grant	\$ 3,459	\$ 5,065	\$1,294	\$ 3,303
Emergency Employment Act grant	17,834	13,022	6,825	-
Hospital grant	-	-	-	<u>1,228,268</u>
Total	<u>\$21,293</u>	<u>\$18,087</u>	<u>\$8,119</u>	<u>\$1,231,571</u>

REDUCTIONS IN FEDERAL AID
AND IMPACT ON CLARKE COUNTY

The only significant reduction in Federal aid received by Clarke County was under the now discontinued Emergency Employment Act. In May 1974, when the Federal funds were no longer available, the county retained the three employees who worked under this program and began paying them with local-source funds. During fiscal year 1974, the county spent about \$6,000 of its own funds on salaries for these employees to supplement the Federal program funds.

County officials said the cutback in Federal aid had not yet caused them any significant problems.

CHAPTER 7

SCOPE OF REVIEW

Our review of revenue sharing activities in Clarke County, Mississippi, included an examination of applicable State and local laws, policies, and procedures as well as relevant accounting and budgetary information. Our work was limited to gathering selected data relating to areas identified by the Subcommittee Chairman.

In addition, we interviewed elected county officials, county employees, the local school superintendent, members of the black community, a local representative of the Department of Labor, and a member of a local volunteer fire department.

We discussed our case study with the Clarke County board of supervisors and the chancery clerk, and we considered their comments in finalizing the case study.

COUNTY GOVERNMENT WORK FORCE
CLARKE COUNTY, MISSISSIPPI
JUNE 30, 1974

Function/job category	Male			Female			Total		
	White	Black	Total	White	Black	Total	White	Black	Total
All functions:									
Officials/administrators	9	-	9	2	-	12	11	-	11
Protective service	2	-	2	3	-	3	5	-	5
Office/clerical	-	-	-	3	-	3	8	1	9
Service/maintenance	36	7	43	-	1	1	36	8	44
Total	47	7	54	13	2	15	60	9	69
Percent	68	10	78	19	3	22	87	13	100
Board of supervisors:									
Officials/administrators	6	-	6	1	-	1	7	-	7
Service/maintenance	36	7	43	-	-	-	36	7	43
Total	42	7	49	1	-	1	36	7	50
Percent	84	14	98	2	-	2	86	14	100
Chancery clerk:									
Officials/administrators	1	-	1	-	-	-	1	-	1
Office/clerical	-	-	-	4	-	4	5	-	5
Total	1	-	1	4	-	4	5	-	5
Percent	20	-	20	80	-	80	100	-	100
Tax assessor-collector:									
Officials/administrators	-	-	-	1	-	1	1	-	1
Office/clerical	-	-	-	4	-	4	4	-	4
Total	-	-	-	5	-	5	5	-	5
Percent	-	-	-	100	-	100	100	-	100
Sheriff's office:									
Officials/administrators	1	-	1	-	-	-	1	-	1
Protective service	2	-	2	3	-	3	5	-	5
Service/maintenance	-	-	-	-	1	1	-	1	1
Total	3	-	3	3	1	4	6	1	7
Percent	43	-	43	43	14	57	86	14	100
Health department:									
Office/clerical	-	-	-	-	1	1	-	1	1
Total	-	-	-	-	1	1	-	1	1
Percent	-	-	-	-	100	100	-	100	100
Coroner's office:									
Officials/administrators	1	-	1	-	-	-	1	-	1
Total	1	-	1	-	-	-	1	-	1
Percent	100	-	100	-	-	-	100	-	100

COUNTY GOVERNMENT NEW HIRES
 CLARKE COUNTY, MISSISSIPPI
 YEAR ENDED JUNE 30, 1974

Function/job category	Male			Female			Total		
	White	Black	Total	White	Black	Total	White	Black	Total
All functions:									
Protective service	-	-	-	1	-	1	1	-	1
Service/maintenance	<u>4</u>	-	<u>4</u>	-	-	-	<u>4</u>	-	<u>4</u>
Total	<u>4</u>	-	<u>4</u>	<u>1</u>	-	<u>1</u>	<u>5</u>	-	<u>5</u>
Percent	<u>80</u>	-	<u>80</u>	<u>20</u>	-	<u>20</u>	<u>100</u>	-	<u>100</u>
Board of supervisors:									
Service/maintenance	<u>4</u>	-	<u>4</u>	-	-	-	<u>4</u>	-	<u>4</u>
Total	<u>4</u>	-	<u>4</u>	-	-	-	<u>4</u>	-	<u>4</u>
Percent	<u>100</u>	-	<u>100</u>	-	-	-	<u>100</u>	-	<u>100</u>
Sheriff's office:									
Protective service	-	-	-	<u>1</u>	-	<u>1</u>	<u>1</u>	-	<u>1</u>
Total	-	-	-	<u>1</u>	-	<u>1</u>	<u>1</u>	-	<u>1</u>
Percent	-	-	-	<u>100</u>	-	<u>100</u>	<u>100</u>	-	<u>100</u>

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