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



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

ENCLOSURE A

Churchill County, Nevada

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

GGD-75-77-A

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SUMMARY

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At the request of the Chairman, Subcommittee on Inter-governmental Relations, Senate Committee on Government Operations, GAO conducted case studies on general revenue sharing at 26 selected local governments throughout the country, including Churchill County, Nevada. S 1562

For the period January 1, 1972, through June 30, 1974, Churchill County was allocated \$237,027 in revenue sharing funds, or \$22.55 per capita. Of the amount allocated, \$209,749 was received by June 30, 1974, and \$27,278 was received in July 1974. The revenue sharing funds allocated to Churchill County were equivalent to about 15.9 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 Churchill County.

1. The specific operating and capital programs funded in part or in whole by general revenue sharing in each jurisdiction. Churchill County had expended \$150,000 through June 30, 1974, with \$134,312 being designated as used for public safety activities and \$15,688 for multipurpose and general government. County records showed that all of these funds were used for capital expenditures on a new law enforcement facility. The \$134,312 was used for construction purposes and the \$15,688 for furnishings.

2. The fiscal condition of each jurisdiction, including its surplus or debt status. An analysis of Churchill County's fund balances at the end of its 1970-74 fiscal years revealed no significant increasing or decreasing trend. As of June 30, 1974, the county's indebtedness consisted of \$533,000 in outstanding bonds, issued by the county-owned telephone and telegraph company, which represented about 12 percent of the debt ceiling imposed by State law.

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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. The major tax levied in Churchill County is on real and personal property. The State constitution limits the total property tax levy within a jurisdiction for all public purposes, including school and special districts, to \$5 per \$100 of assessed value. Churchill County's aggregate tax rate, as it applies to real property in the city of Fallon, has been at the maximum limit for the past 5 years. A county official said that without revenue sharing the county would have had to cut back on the services it offers.

The percentage of a family's income that is paid to Churchill County, other local governments--including city, school district, and special district governments--and to the State government decreases as family income increases. The tax burden for a family of four decreased from 7.4 percent of family income to 6.6 percent and 6.5 percent as family income increased from \$7,500 to \$12,500 and \$17,500, respectively.

4. The percentage of the total local budget represented by general revenue sharing. Churchill County did not budget revenue sharing funds until fiscal year 1974. About 3.2 percent of the county's budget for fiscal year 1974 consisted of revenue sharing funds. After including the school district's budget in this calculation, the percentage was 1.8 percent.

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. Prior to 1973, Federal categorical aid to Churchill County was not significant to its overall general operations. In 1973 the county received a \$125,000 grant to partially fund the construction of a new law enforcement facility. In 1974 the county received \$75,972 under the Emergency Employment Act. In fiscal year 1975, the county received a \$58,500 grant from the Bureau of Outdoor Recreation and was granted \$500,000 to build a public health center.

6. The record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law. No complaints have been filed against Churchill County alleging discrimination in its employment practices or in its delivery of services. The county government work force of 193 people included 1 minority. About 36 percent of the county civilian labor force was female; about 55 percent of the county government work force was female.

Revenue sharing funds financed 16 percent of the costs of a new law enforcement facility in the county. Therefore, the Davis-Bacon provision did not apply. The county did not use revenue sharing funds to pay the wages or salaries of any of its employees.

7. Public participation in the local budgetary process, and the impact of revenue sharing on that process. Although the budgetary process in Churchill County includes holding a public hearing, GAO found little public participation in this process. The county published the planned and actual use reports required by the Revenue Sharing Act; however, revenue sharing had no apparent impact on public participation in the budgetary process.

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.

Churchill County, Nevada, 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
CHURCHILL COUNTY

Churchill County is in the desert region of west-central Nevada. Fallon, the only incorporated city in the county, is 65 miles east of Reno. The county ranks tenth in geographical size among Nevada's 17 counties, and most of its 4,883 square miles is owned by the Federal Government; less than 9 percent is privately owned.

While the population has been steadily increasing and the county ranks fifth among Nevada's counties, it is still sparsely settled, with less than 3 people per square mile, compared to the State's rate of 4.4. The county's population increased 71 percent between 1950 and 1970 and was 10,513 according to the 1970 census. About 28 percent (2,959) of the population lived within Fallon's corporate limits, and most of the county's population was within a 10-mile radius of the city.

Government, agriculture, and recreation and tourism are the county's three major economic forces. Employment data for 1970 shows over 25 percent of the labor force is employed by the Federal, State, and local governments. The largest single employer, the Fallon Naval Air Station, is a strong economic factor within the county. The agricultural

industry employs about 20 percent of the county work force. Alfalfa hay is the leading crop. Recreation and tourism are closely related because visitors come to the county to use recreational facilities.

In 1970 the county's median family income was \$8,263, compared to \$10,692 for the State and \$9,590 for the United States. Although 15 percent of the 1970 county work force had incomes at or above \$15,000, 10 percent had incomes below the official poverty level.

Churchill County is governed by an elected board of commissioners. The county's three commissioners are elected at large on a partisan basis for 4-year terms. Although the board of commissioners is required to meet only once a month, Churchill County's commissioners meet twice a month. All meetings are public. The county manager is appointed by the board of commissioners and is responsible for administrative functions designated by the commissioners.

Nevada's counties are responsible for providing most public services. Some services, however, are furnished by incorporated cities and special districts or are shared responsibilities. Services provided by Churchill County include public welfare, health, social services, and a library. Parks and recreation, road maintenance, and police protection are also county services, except within the corporate limits of Fallon where they become city responsibilities. Additionally, the city provides sewerage, water, and other sanitation services to city residents. People living outside the city must provide their own such services. The county owns the Churchill County Telephone and Telegraph System.

Special districts furnish education and irrigation services in the county. The Churchill County school district has one high school, one junior high school, and several primary schools--all in Fallon, requiring some students to commute as far as 70 miles.

Among the shared responsibilities are fire and environmental protection. One fire department serves the entire county and is financed by both the city and county. The county and State share the responsibilities for regulating and enforcing environmental laws.

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 geographic 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 a 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 inter-governmental 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.

Churchill 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 Churchill County's allocation. Our calculations showed that, if the allocation formula were applied in Nevada without all the act's constraints, Churchill County's allocation for the period January 1, 1972, through June 30, 1974, would have been \$234,688. However, because these constraints were applied, Churchill County's final allocation was \$236,839. Initial allocations and payments to Churchill County for the same period were \$237,027, including \$27,278 received in July 1974. The payment for the next entitlement period will be reduced by \$188, 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 Churchill County with Esmeralda and Eureka Counties, which received the highest per capita amounts of the State's counties; Washoe County, which received the lowest per capita; and White Pine County, whose population of 10,150 is close to Churchill County's 10,513.

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>
Churchill	\$ 237,027	\$22.55	15.9
Esmeralda	38,983	61.98	5.4
Eureka	58,755	61.98	9.0
Washoe	2,512,004	20.75	8.9
White Pine	337,103	33.21	16.6

^aIncludes payment received in July 1974 for quarter ended 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 all of Nevada's county governments for the same period was \$13,045,102, or a per capita amount of \$27.56.

CHAPTER 2

BUDGETING AND PUBLIC PARTICIPATION

IN THE BUDGETARY PROCESS

Churchill County's fund structure includes a general operating fund, 12 special purpose funds, and 2 enterprise funds. Also, several trust and agency funds serve as holding and transfer accounts for noncounty moneys.

1. General fund--finances all administrative and operating costs not covered by one of the special purpose funds. Major revenue sources are real and personal property tax levies, the cigarette tax, the county/city relief tax, and interest.

2. Special purpose funds--finance specific activities. The county's 12 special purpose funds are: road, indigent, agricultural extension, public library, school support, building reserve, city/county health, law library, regional street and highway, cemetery beautification, ambulance, and revenue sharing. A description of the uses and sources of revenue in fiscal year 1974 for the major funds follows.
 - a. Indigent fund--welfare operations, medical assistance, and alcohol and drug counseling are the main activities financed. Approximately 75 percent of this fund's revenues are derived from property taxes. Other sources are the motor vehicle privilege tax and State grants.

 - b. Public library fund--finances the operation of the county public library. Approximately 90 percent of the revenue is received from property taxes and 10 percent from the motor vehicle privilege tax.

 - c. Building reserve fund--is used for collecting moneys for approved construction or capital improvement projects. Property taxes, motor vehicle privilege taxes, and

a fee in lieu of property taxes from the county-owned telephone company are normally used to finance this fund. Other sources are State and Federal grants, transfers from other funds, and interfund loans.

3. Two enterprise funds--account for the operation of the hospital and county-owned telephone company. Revenues generated through payments for services are used to fund continued operations.

RELATIONSHIP OF REVENUE SHARING TO TOTAL BUDGET

As of June 30, 1974, Churchill County had received revenue sharing payments totaling \$209,749. As shown below, the county did not include revenue sharing in its budget until fiscal year 1974. No revenue sharing was included in the budget for fiscal year 1973, because the budget had already been finalized when the first payment was received.

<u>Churchill County</u>	<u>Fiscal year</u>		
	<u>1972</u>	<u>1973</u>	<u>1974</u>
County budget	\$4,809,095	\$4,588,086	\$4,721,302
School district budget	<u>3,123,818</u>	<u>3,117,907</u>	<u>3,513,453</u>
Total	<u>\$7,932,913</u>	<u>\$7,705,993</u>	<u>\$8,234,755</u>
Revenue sharing payments received	-	\$103,859	\$105,890
Revenue sharing funds budgeted	-	-	\$150,000
Cumulative revenue sharing payments received but not budgeted	-	\$103,859	\$59,749
Percentage of county budget represented by revenue sharing	-	-	3.2
Percentage of county and school district budgets represented by revenue sharing	-	-	1.8

School district budget data is included in the foregoing table to make the budgets comparable with those of local governments whose responsibilities include operating the local school systems. Although independent school districts do not receive revenue sharing funds directly from the Federal Government, the financing of public schools is a major responsibility at the local government level and represents a significant part of the local tax burden.

All the revenue sharing funds budgeted in fiscal year 1974 were included in the building reserve fund. In 1975 this fund received an additional \$72,000 of the \$172,491 in revenue sharing funds budgeted. The general fund received \$56,000 to be used in the sheriff's department, and the remaining \$44,491 was appropriated as a reserve to be used for future increases in county employees' salaries. The following table shows the budgeted expenditures for fiscal years 1973, 1974, and 1975 and the amounts of revenue sharing funds included in the budgets.

Fund	Budgeted Expenditures by Fund				
	Fiscal year ended June 30				
	1973	1974		1975	
Budget	Budget	Revenue sharing	Budget	Revenue sharing	
General:					
Administrative function	\$ 218,650	\$ 288,220	\$ -	\$ 381,900	\$ -
Public safety function	155,500	199,500	-	244,300	56,000
Judicial function	92,275	131,305	-	158,990	-
Miscellaneous	<u>322,460</u>	<u>315,675</u>	-	<u>379,698</u>	<u>-</u>
Total	788,885	934,700	-	1,164,888	56,000
Operating:					
Road	306,000	333,800	-	396,712	-
Indigent	211,700	243,380	-	210,937	-
Building reserve	730,000	291,240	150,000	222,100	72,000
Agricultural extension	10,900	11,050	-	13,280	-
Public library	43,825	47,350	-	54,200	-
Ambulance	10,000	12,500	-	24,500	-
City/county health	18,600	30,000	-	23,125	-
Law library	-	3,000	-	4,500	-
Appropriated reserve	-	-	-	44,491	44,491
Cemetery beautification	<u>-</u>	<u>500</u>	<u>-</u>	<u>100</u>	<u>-</u>
Total	2,119,910	1,907,520	150,000	2,158,833	172,491
Telephone company	1,656,026	1,750,632	-	1,970,705	-
Hospital	<u>812,150</u>	<u>1,063,150</u>	<u>-</u>	<u>1,494,150</u>	<u>-</u>
Total (note a)	<u>\$4,588,086</u>	<u>\$4,721,302</u>	<u>\$150,000</u>	<u>\$5,623,688</u>	<u>\$172,491</u>

^aNet of interfund and intergovernmental transfers.

PUBLIC INVOLVEMENT IN
BUDGETARY PROCESS

Under the county's budgetary process, each department prepares a proposed budget which includes all expenditures for operations, maintenance, and capital purposes for the following fiscal year. The board of commissioners reviews and consolidates these proposals into a tentative budget which, together with the requested tax levy for the following fiscal year, is submitted to the Nevada State Tax Commission by February 20.

The Tax Commission reviews the budgets to insure that required programs and services are being funded and to determine whether the aggregate tax rate of all government entities for an area is within the limit of \$5 per \$100 assessed valuation established by the State constitution. Based on this review, a notice of compliance or noncompliance is issued in mid-March. After the commission's notice, a required public hearing on the budget is held on the fourth Monday in March. If a notice of noncompliance is issued by the commission, the taxing entities conduct joint public hearings to negotiate an adjustment to the individual levies. The final budget must be submitted to the commission in April. If the taxing entities are unable to reduce the aggregate tax levy to \$5 or make the necessary modifications to the budgets, the commission adjusts the budgets, generally setting the levies at the previous year's rates.

County officials indicated there was little public participation in the budgetary process. Revenue sharing funds are budgeted at the same time as regular county funds. The date of the public hearing is published in the local newspaper, and interested citizens are invited to make statements. The minutes of the board of commissioners' meetings and of the public hearings for 1972-74 showed there had been no participation by local citizens. We were informed that there are no organized public interest groups within the county.

The county published the planned and actual use reports required by the Revenue Sharing Act in a daily newspaper published in Fallon.

CHAPTER 3

PROGRAMS FUNDED WITH REVENUE SHARING

Churchill County was allocated \$237,027 in revenue sharing funds for the period January 1, 1972, through June 30, 1974. Of the amount allocated, \$209,749 was received by June 30, 1974, and \$27,278 was received in July 1974. As of June 30, 1974, interest earned from investment of the funds totaled \$3,238. Following is the status of the funds allocated for the period ended June 30, 1974, and the interest earned thereon.

Funds expended	\$150,000
Funds unobligated	<u>90,265</u>
Total	<u>\$240,265</u>

USES OF REVENUE SHARING

The uses of revenue sharing funds described in this chapter are those reflected by Churchill 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

The \$150,000 in revenue sharing funds expended in fiscal year 1974 were used to complete the county's new law enforcement facility started in 1972. The total cost of this facility was \$930,000. In its actual use report, the county designated \$134,312 as used for public safety and \$15,688 for multipurpose and general government. All expenditures were for capital purposes.

Specific uses

We were informed that the \$134,312 was used for construction and the \$15,688 for furnishings. We were unable to further identify the specific use of these funds. The revenue sharing funds lost their identity after they were transferred to the building reserve fund and combined with the other funds designated for the new law enforcement facility.

Plans for unobligated funds

All the revenue sharing funds unobligated at June 30, 1974, and most of the payments anticipated through June 30, 1975, have been budgeted for fiscal year 1975.

For fiscal year 1975, the county plans to spend \$172,491 in revenue sharing funds for the following purposes.

	<u>Amount</u>
Remodeling old courthouse	\$ 30,000
Courthouse furnishings	7,000
Installation of waterline at the cemetery	15,000
Paving around courthouse	10,000
Miscellaneous courthouse repairs	10,000
Salaries--sheriff's department	56,000
Appropriated reserve	<u>44,491</u>
 Total	 <u><u>\$172,491</u></u>

All expenditures for capital purposes will be made from the building reserve fund. In the sheriff's department, the salaries are financed through the general fund, and the appropriated reserve is a part of the revenue sharing trust fund. The county's independent accountant indicated that the appropriated reserve would be used to offset increased salary expenses for county employees.

ACCOUNTING FOR REVENUE
SHARING FUNDS

The county maintains a separate book account for revenue sharing funds. All funds received are credited to this account, and moneys for budgeted expenditures are transferred to the appropriate account or fund. Although revenue sharing funds are segregated on the books, they are deposited in the bank or invested in certificates of deposit with other county funds.

AUDITS OF REVENUE SHARING

The Federal revenue sharing trust fund was audited at June 30, 1974, as part of the county's annual audit. A financial audit of revenue sharing funds was performed by the county's independent accounting firm. The audit was performed according to Office of Revenue Sharing guidelines, and no exceptions were noted.

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.

Churchill County does not have a formal written policy regarding nondiscrimination in employment, because county officials do not believe one is needed. According to the 1970 census, the county had a 7 percent minority population--419 American Indians, 135 blacks, 80 Filipinos, 40 Japanese, and 46 other. Forty-eight percent of the county's population was female.

There are no local civil rights enforcement organizations in Churchill County. The Nevada Equal Rights Commission is the State agency responsible for investigating alleged civil rights violations. The commission's officers include five commissioners and an executive director appointed by the Governor. According to a State official, all complaints are investigated. A formal hearing before an equal rights commissioner is recommended if an investigator believes that a complaint can be substantiated. The executive director either accepts or rejects the investigator's recommendation. If the recommendation is accepted, a formal hearing is conducted; if it is found that nondiscrimination laws were violated, the commission may issue a "cease and desist" order. The U.S. Equal Employment Opportunity Commission must be notified whenever a complaint has not been resolved within 60 days after filing. However, there are no time constraints for adjudicating the complaint. A commission representative stated that it generally took 6 months to resolve a complaint.

A representative of the State's Equal Rights Commission stated that no civil rights complaints or suits had been filed against Churchill County.

Comparison of local government
work force and civilian labor force

As of June 30, 1974, only 1 of the 193 county employees was nonwhite. Women constituted 54.9 percent of the county government work force, considerably higher than the percentage of females in the civilian labor force.

Comparison of County Government Work Force with

Civilian Labor 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>
Civilian labor force:						
Total	<u>2,285</u>	<u>63.9</u>	<u>1,292</u>	<u>36.1</u>	<u>3,577</u>	<u>100.0</u>
Black	-	-	7	0.2	7	0.2
Spanish language	96	2.7	22	0.7	118	3.3
County government work force:						
White	87	45.1	105	54.4	192	99.5
Black	-	-	-	-	-	-
Asian American	-	-	1	0.5	1	0.5
Total	<u>87</u>	<u>45.1</u>	<u>106</u>	<u>54.9</u>	<u>193</u>	<u>100.0</u>

The distribution of positions was almost equally divided between males and females in the job categories of officials/administrators, professionals, technicians, and service/maintenance. There were more males than females in protective service and skilled crafts, while there were more females in the office/clerical and paraprofessionals positions. Appendix I presents an analysis of the county government work force by function and job category.

During the year ended June 30, 1974, the county hired 15 employees--8 males and 7 females. Appendix II analyzes these new hires by function and job category.

There were no promotions during the fiscal year ended June 30, 1974. An official said that the county is developing a civil service system using job classifications and

formal recruitment and promotion procedures; however, there is no central county personnel office and uniform procedures are not currently being used.

No employment discrimination complaints have been filed as of December 1974 against Churchill County at the State's Equal Rights Commission or the U.S. Equal Employment Opportunity Commission.

Officials from the county and the State's Equal Rights Commission were not aware of any civil rights organizations within Churchill County.

Services and capital projects

All revenue sharing funds expended in fiscal year 1974 were used for completing the county's law enforcement facility which serves the entire county. Location of this project showed no apparent discrimination.

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.

Revenue sharing funds financed 16 percent of the cost of the law enforcement facility. Therefore, this project was not subject to the Davis-Bacon provision. This provision did not affect the county's decision to use revenue sharing funds to finance the project.

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.

Churchill County had not used any revenue sharing moneys to pay wages as of June 30, 1974.

CHAPTER 5

FINANCIAL STATUS

TREND OF FUND BALANCES

The following schedule shows the cumulative ending fund balances for each of the county's major funds for fiscal years 1970-74.

Fund	Fiscal year				
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Special revenue:					
Road	\$ 15,883	\$ 35,829	\$ 39,518	\$ 51,389	\$ 37,931
Indigent	60,134	68,323	67,399	82,115	112,617
Building reserve	149,897	192,441	262,460	161,934	114,791
Revenue sharing	-	-	-	105,893	62,987
Other	<u>41,373</u>	<u>43,906</u>	<u>30,581</u>	<u>37,733</u>	<u>85,118</u>
Total	267,287	340,499	399,958	439,064	413,444
General	<u>273,076</u>	<u>258,640</u>	<u>234,811</u>	<u>180,110</u>	<u>253,806</u>
Total	540,363	599,139	634,769	619,174	667,250
Telephone and telegraph system	1,045,074	1,021,888	1,081,860	727,241	839,392
Churchill County hospital	<u>174,139</u>	<u>198,589</u>	<u>233,758</u>	<u>237,024</u>	<u>207,795</u>
Total	<u>\$1,759,576</u>	<u>\$1,819,616</u>	<u>\$1,950,387</u>	<u>\$1,583,439</u>	<u>\$1,714,437</u>

There is no county pension fund. County employees are covered by the Public Employees Retirement System administered by the State.

INDEBTEDNESS

The Churchill County government had no unfunded long-term indebtedness at June 30, 1974. However, both the county-owned telephone company (an enterprise fund) and the school district have outstanding bond issues. The telephone

company bonds are secured as a general county obligation and are being retired with operating revenues. The school district's bonds are being retired with general property tax revenues apportioned to the school district.

Bonded indebtedness for the past 5 years has been as follows:

	Fiscal year				
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Churchill County	\$ ^a 25,000	\$ ^a 20,000	\$ ^a 15,000	\$ ^a 10,000	\$ ^a 10,000
Telephone company	953,000	822,000	699,000	598,000	533,000
School district	<u>1,881,000</u>	<u>1,731,500</u>	<u>1,579,000</u>	<u>1,421,500</u>	<u>3,514,000</u>
Total	<u>\$2,859,000</u>	<u>\$2,573,500</u>	<u>\$2,293,000</u>	<u>\$2,029,500</u>	<u>\$4,057,000</u>

^aBalance includes \$10,000 in public hospital general obligation bonds matured in 1967 but not presented for payment. The principal amount together with accrued interest is being held in the county debt service fund.

In fiscal year 1973, the county borrowed \$350,000 from the county-owned telephone company for use in building the law enforcement facility. The loan agreement required the loan to be repaid at the rate of \$90,000 a year, the same amount the county had been assessing the telephone company for payments in lieu of property taxes. As of June 30, 1975, \$180,000 will have been repaid.

Borrowing procedures

Proposed bond issues by all local government units must be reviewed and approved by the county's general obligation bond commission. This is a five-member group, consisting of one representative each from Fallon, Churchill County, and the school district, and two representatives from the general public. The commission meets annually in July to consider proposed bond issues. A proposed bond issue, approved by a majority of the commission members, is submitted to the voters either at a general election or at a special election called for that purpose. Advance public notice of the election and the purpose of the bond is required. The bond issue must be approved by a majority vote.

Moody's Municipal and Government Manual has consistently rated the bonds issued by both Churchill County and its school district as "Baa," meaning that the bonds are considered lower medium-grade obligations (neither highly protected nor poorly secured).

A county official said voters have rejected only one proposed bond issue in the past 3 years. He indicated that the large size of the bond issue probably caused the rejection. In November 1972 the voters rejected a bond issue of \$4.5 million proposed by the school district, but in September 1973 they approved a proposed issue of \$2.5 million. Since 1960 voters have approved six proposed bond issues. In addition to the September 1973 issue, the school district issued bonds in 1963 (\$981,000), 1965 (\$200,000), and 1969 (\$250,000). The county-owned telephone company issued bonds in 1962 (\$1,000,000) and 1965 (\$500,000).

Borrowing restrictions

Nevada State law limits the aggregate amount of a county's long-term indebtedness to 10 percent of its last assessed valuation of taxable property. School districts have a 15 percent limitation.

Both the county and the school district were within their indebtedness limitations. The county's assessed valuation at July 1, 1974, was \$42.7 million, which establishes the fiscal year 1975 debt ceilings for the county and the school district at \$4.3 and \$6.4 million, respectively. Outstanding bond issues at June 30, 1974, amounted to \$533,000 for the county-owned telephone company and \$3,514,000 for the school district.

TAXATION

Major taxes levied

The major taxes levied in Churchill County are the real and personal property taxes. However, levies on real property account for 95 percent of the total property tax collections. Other revenues include the motor vehicle fuel tax, the county/city relief tax, and payments made by the telephone company in lieu of property taxes.

In fiscal year 1974, the county obtained revenues from two new taxes. One was a 1-1/2 cents per gallon of motor vehicle fuel tax, and the other a 1/2 percent county/city relief tax levied on retail sales. Both are collected with the State-levied taxes. The State-levied fuel tax is 6 cents per gallon. One cent is returned to the county in which collected, and 1/2 cent is distributed to the counties on a formula basis. The State retail sales tax is 2 percent of all taxable sales. In addition, there is a 1 percent local school support tax collected with the State sales tax and then returned to the school districts.

The real and personal property tax base is 35 percent of full cash value. Procedures vary for determining the value of personal property. For homeowners it is set at 10 percent of the value of their house, excluding outdoor structures such as patios or swimming pools. Livestock is also considered personal property and the State has published guidelines for determining its value. Businesses are assessed on the basis of inventory and equipment, and residents not owning real property have their personal property valued through physical inspection. Real property is reassessed at least every 5 years. An official said the county began reassessing all property in 1973 and should be completed in 1975. The current aggregate property tax rate in Churchill County is \$4 per \$100 of assessed value for properties outside Fallon's corporate limits and \$5 per \$100 for properties within Fallon.

Tax sources provided 33 percent of the county's fiscal year 1974 revenues. Telephone and hospital operating revenues accounted for 40 and 19 percent, respectively, of total county revenues. Other sources of funds were State and Federal grants, interest income, license fees, fines, and program assistance transfers or reimbursements. The following table shows the total revenues received by the county during the last 5 fiscal years, from both its own taxes and from State-levied taxes returned to the county.

Total Tax Receipts of Churchill County

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
County taxes:					
Real and personal property	\$466,020	\$516,976	\$ 607,083	\$ 658,499	\$ 736,004
Motor vehicle fuel	-	-	-	-	110,294
County/city relief	-	-	-	-	84,539
Payment in lieu of property taxes	<u>60,000</u>	<u>75,000</u>	<u>90,000</u>	<u>90,000</u>	<u>138,000</u>
Total	<u>526,020</u>	<u>591,976</u>	<u>697,083</u>	<u>748,499</u>	<u>1,068,837</u>
State-levied taxes returned to the county:					
Motor vehicle fuel	92,131	99,847	103,988	114,077	112,544
Cigarette	147,147	180,338	162,003	155,182	163,233
Transportation privilege	51,409	55,221	65,902	73,974	81,734
State liquor	<u>13,237</u>	<u>26,102</u>	<u>22,040</u>	<u>21,693</u>	<u>28,757</u>
Total	<u>303,924</u>	<u>361,508</u>	<u>353,933</u>	<u>364,926</u>	<u>386,268</u>
Total	<u>\$829,944</u>	<u>\$953,484</u>	<u>\$1,051,016</u>	<u>\$1,113,425</u>	<u>\$1,455,105</u>

Taxing limitations

The State constitution limits the total property tax levy for all public purposes, including levies for bonds, to \$5 per \$100 of the assessed value. A change in the \$5 rate would require amending the State constitution. A county official stated that revenue sharing provided the county with an additional source of funds to continue services and programs. Because of increased costs and the limit on the tax rate, the county would have had to cut back on services. Churchill County's aggregate tax rate, as it applies to real property in Fallon, has been at the maximum limit for the past 5 years.

Family tax burden

The following table shows three hypothetical situations used in determining the tax burden on a family of four living in Fallon in 1973. Its annual income consists only of wages, with no investment or interest income and no capital gains. The family has no assets other than its house, personal property, and car(s).

<u>Assumptions</u>	<u>Family A</u>	<u>Family B</u>	<u>Family C</u>
Family income	\$ 7,500	\$ 12,500	\$ 17,500
House value	18,750	31,250	43,750
Personal property value	1,500	2,500	3,500
Market value of car (note a)	1,700	1,800	2,300
Annual gas consumption (gallons)	1,000	1,000	1,500

a/Family C has two cars.

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

<u>Tax</u>	<u>Family A</u>	<u>Family B</u>	<u>Family C</u>
Churchill County:			
Real property	\$ 121.21	\$ 202.02	\$ 282.82
Personal property	<u>9.70</u>	<u>16.16</u>	<u>22.63</u>
Total	130.91	218.18	305.45
City:			
Real property	65.62	109.38	153.12
Personal property	<u>5.25</u>	<u>8.75</u>	<u>12.25</u>
Total	70.87	118.13	165.37
Special districts:			
School district:			
Real property	124.69	207.81	290.94
Personal property	9.97	16.62	23.27
Carson Truckee Water Conservancy District:			
Real property	.20	.33	.46
Personal property	<u>.02</u>	<u>.03</u>	<u>.04</u>
Total	134.88	224.79	314.71
State:			
Real property	16.41	27.34	38.28
Personal property	1.31	2.19	3.06
Motor vehicle	23.80	25.20	32.20
Sales	116.00	153.00	194.00
Gasoline	<u>60.00</u>	<u>60.00</u>	<u>90.00</u>
Total	217.52	267.73	357.54

Tax Summary

Property:			
Real	\$ 328.13	\$ 546.88	\$ 765.62
Personal	<u>26.25</u>	<u>43.75</u>	<u>61.25</u>
Total	354.38	590.63	826.87
Motor Vehicle	23.80	25.20	32.20
Sales	116.00	153.00	194.00
Gasoline	<u>60.00</u>	<u>60.00</u>	<u>90.00</u>
Total	<u>\$554.18</u>	<u>\$828.83</u>	<u>\$1,143.07</u>
Total as percentage of income	<u>7.4</u>	<u>6.6</u>	<u>6.5</u>

CHAPTER 6

OTHER FEDERAL AID

FEDERAL AID RECEIVED

During fiscal years 1972, 1973, and 1974, Churchill County received the following amounts in Federal categorical aid.

<u>Function</u>	<u>Fiscal year</u>		
	<u>1972</u>	<u>1973</u>	<u>1974</u>
Public library	\$5,084	\$ 4,400	\$ -
Law enforcement	-	125,000	-
Employment	-	-	75,972
Total	<u>\$5,084</u>	<u>\$129,400</u>	<u>\$75,972</u>

The law enforcement grant was used to partially fund the construction of a new law enforcement facility. The library grants were for general program assistance. The employment grant was received under the Emergency Employment Act.

We were informed that a \$58,500 grant from the Bureau of Outdoor Recreation has been received in fiscal year 1975, and that submission of an application for an additional \$50,000 grant from the Bureau has been approved by the State. A county official said the county may have difficulty in meeting the matching fund requirement and might not be able to accept the grant. In addition, the county hospital has received approval for a \$500,000 grant to be used in constructing a public health center. Funds for the first phase were programmed for fiscal year 1975.

REDUCTIONS IN FEDERAL AID
AND IMPACT ON RECIPIENT

County officials stated that there has not been any reduction in Federal categorical aid since the inception of the revenue sharing program.

CHAPTER 7

SCOPE OF REVIEW

The audit work was performed in Fallon, Nevada, with the assistance of county officials. Visits were also made to the State Tax Commission and Public Employees Retirement System offices in Carson City and the county's accounting firm in Reno. Additional contact was made with the State Employment Security Office, the Equal Rights Commission, and the Inter-Tribal Council.

We reviewed county budgets and audit reports for fiscal years 1970-74 to determine the effect revenue sharing had on the county's financial condition. The review included an analysis of the tax structure, changes in taxes, sources of funds, and yearend fund balances and indebtedness.

We obtained the views of county officials as to the impact of revenue sharing on the county's fiscal status and the degree of public participation in the budgetary process, especially in relation to revenue sharing moneys. We obtained information on compliance with the nondiscrimination, prevailing wage, and Davis-Bacon provisions of the Revenue Sharing Act. Our work was limited to gathering selected data relating to areas identified by the Subcommittee Chairman.

Officials of Churchill County reviewed our case study, and we considered their comments in finalizing it.

COUNTY GOVERNMENT WORK FORCECHURCHILL COUNTY, NEVADAJUNE 30, 1974

<u>Function/ job category</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>
All functions:						
Officials/admin- istrators	10	5	8	4	18	9
Professionals	9	5	7	4	16	9
Technicians	13	7	11	5	24	12
Protective service	8	4	1	1	9	5
Paraprofes- sionals	1	1	2	1	3	2
Office/cler- ical	1	-	50	26	51	26
Skilled craft	36	17	18	9	54	27
Service/mainte- nance	9	5	9	5	18	10
Total	87	45	106	55	193	100
Financial administration:						
Professionals	3	13	-	-	3	13
Technicians	1	4	-	-	1	4
Office/cler- ical	-	-	20	83	20	83
Total	4	17	20	83	24	100
Streets and highways:						
Officials/admin- istrators	1	7	-	-	1	7
Office/cler- ical	-	-	1	7	1	7
Skilled craft	13	86	-	-	13	86
Total	14	93	1	7	15	100
Public welfare:						
Officials/admin- istrators	-	-	^a 2	100	2	100
Total	-	-	2	100	2	100
Public protection:						
Professionals	1	7	-	-	1	7
Technicians	4	26	-	-	4	26
Protective service	6	40	1	7	7	47
Office/cler- ical	-	-	3	20	3	20
Total	11	73	4	27	15	100
Fire protection:						
Protective service	1	100	-	-	1	100
Total	1	100	-	-	1	100

APPENDIX I

Function/ job category	Male		Female		Total	
	Number	Percent	Number	Percent	Number	Percent
Natural resources:						
Office/clerical	1	25	2	50	3	75
Service/maintenance	<u>1</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>25</u>
Total	<u>2</u>	<u>50</u>	<u>2</u>	<u>50</u>	<u>4</u>	<u>100</u>
Hospitals and sanatoriums:						
Officials/administrators	3	7	5	11	8	18
Professionals	-	-	6	13	6	13
Technicians	1	2	11	25	12	27
Paraprofessionals	-	-	1	2	1	2
Office/clerical	-	-	10	22	10	22
Service/maintenance	<u>1</u>	<u>2</u>	<u>7</u>	<u>16</u>	<u>8</u>	<u>18</u>
Total	<u>5</u>	<u>11</u>	<u>40</u>	<u>89</u>	<u>45</u>	<u>100</u>
Health:						
Officials/administrators	1	34	-	-	1	34
Paraprofessionals	1	33	-	-	1	33
Office/clerical	<u>-</u>	<u>-</u>	<u>1</u>	<u>33</u>	<u>1</u>	<u>33</u>
Total	<u>2</u>	<u>67</u>	<u>1</u>	<u>33</u>	<u>3</u>	<u>100</u>
Corrections:						
Professionals	2	50	-	-	2	50
Protective service	1	25	-	-	1	25
Office/clerical	<u>-</u>	<u>-</u>	<u>1</u>	<u>25</u>	<u>1</u>	<u>25</u>
Total	<u>3</u>	<u>75</u>	<u>1</u>	<u>25</u>	<u>4</u>	<u>100</u>
Sanitation and sewage:						
Service/maintenance	<u>1</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>100</u>
Total	<u>1</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>100</u>
Other (note b):						
Professionals	-	-	1	11	1	11
Paraprofessionals	-	-	1	11	1	11
Office/clerical	-	-	1	11	1	11
Service/maintenance	<u>5</u>	<u>56</u>	<u>1</u>	<u>11</u>	<u>6</u>	<u>67</u>
Total	<u>5</u>	<u>56</u>	<u>4</u>	<u>44</u>	<u>9</u>	<u>100</u>
Telephone and telegraph system:						
Officials/administrators	5	7	1	2	6	9
Professionals	3	4	-	-	3	4
Technicians	7	10	-	-	7	10
Office/clerical	-	-	11	16	11	16
Skilled craft	23	33	18	26	41	59
Service/maintenance	<u>1</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>2</u>
Total	<u>39</u>	<u>56</u>	<u>31</u>	<u>44</u>	<u>70</u>	<u>100</u>

^aIncludes one Asian American.

^bIncludes mosquito abatement, janitorial service, public library, and cemetery.

GAO note: The jobs in this appendix were categorized by the county using Federal Equal Employment Opportunity Commission definitions.

COUNTY GOVERNMENT NEW HIRESCHURCHILL COUNTY, NEVADAYEAR ENDED JUNE 30, 1974

<u>Function/ job category</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>
Financial adminis- tration:						
Office/cler- ical	-	-	<u>1</u>	<u>100</u>	<u>1</u>	<u>100</u>
Total	-	-	<u>1</u>	<u>100</u>	<u>1</u>	<u>100</u>
Fire protection:						
Protective service	<u>1</u>	<u>100</u>	-	-	<u>1</u>	<u>100</u>
Total	<u>1</u>	<u>100</u>	-	-	<u>1</u>	<u>100</u>
Hospitals and sani- toriums:						
Professionals	<u>1</u>	<u>100</u>	-	-	<u>1</u>	<u>100</u>
Total	<u>1</u>	<u>100</u>	-	-	<u>1</u>	<u>100</u>
Health:						
Officials/admin- istrators	1	25	-	-	1	25
Technicians	-	-	1	25	1	25
Service/mainte- nance	<u>-</u>	<u>-</u>	<u>2</u>	<u>50</u>	<u>2</u>	<u>50</u>
Total	<u>1</u>	<u>25</u>	<u>3</u>	<u>75</u>	<u>4</u>	<u>100</u>
Other (note a):						
Service/mainte- nance	<u>5</u>	<u>100</u>	-	-	<u>5</u>	<u>100</u>
Total	<u>5</u>	<u>100</u>	-	-	<u>5</u>	<u>100</u>
Telephone and tele- graph system:						
Office/cler- ical	-	-	1	33	1	33
Skilled craft	-	-	<u>2</u>	<u>67</u>	<u>2</u>	<u>67</u>
Total	-	-	<u>3</u>	<u>100</u>	<u>3</u>	<u>100</u>
Total	<u>8</u>	<u>53</u>	<u>7</u>	<u>47</u>	<u>15</u>	<u>100</u>

^a Includes mosquito abatement, janitorial service, public library, and cemetery.

GAO note: The jobs in this appendix were categorized by the county using Federal Equal Employment Opportunity Commission definitions.

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