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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 Y

Woodruff, South Carolina

2274

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

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ABBREVIATIONS

GAO	General Accounting Office
NAACP	National Association for the Advancement of Colored People

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 fiscal years 1972, 1973, and 1974, the town received about \$270,000 of Federal aid in addition to its Federal revenue sharing moneys. Most of these funds were for the Emergency Employment program, as shown in the following schedule.

<u>Program</u>	<u>Federal aid received by fiscal year</u>		
	<u>1972</u>	<u>1973</u>	<u>1974</u>
Law Enforcement Assistance	-	\$ 2,530	-
Emergency Employment	\$157,876	96,026	-
Environmental Protection	-	-	\$13,600

The mayor was not aware of any change in the availability of needed Federal aid. He felt that the Emergency Employment program was terminated because it had served its purpose. Four of the 36 positions established under the Emergency Employment program were retained. However, the mayor felt that, because of the town's natural growth, these positions would have been established even without the program.

6. The record of each jurisdiction in complying with the civil rights, Davis-Bacon, and other provisions of the law. South Carolina has had a Commission on Human Affairs since June 23, 1972, but the commission has no authority to probe discrimination charges against a municipality.

According to the 1970 census, the civilian labor force in Spartanburg County (where Woodruff is located) consisted of 74,125 persons, of which 40.5 percent were female and 18.7 percent were black. As of June 30, 1974, the town employed 27 persons, of which 2 were female and 11 were black. Although the racial composition of the town government work force compared favorably with that of the total civilian labor force, employment statistics showed that blacks were employed on a full-time basis only in service/maintenance jobs.

Only one complaint (involving sex discrimination) had been filed against the town since December 31, 1971, but a U.S. District Court dismissed the case. At the time of GAO's review there were no civil rights suits pending against Woodruff.

Woodruff used revenue sharing funds to partially fund three small construction projects. The town did not obtain a wage determination from the Secretary of Labor as required by the Davis-Bacon provision. The mayor told GAO Woodruff did not realize that its small projects were subject to the Davis-Bacon provision.

Nine employees had received less than prevailing wages. However, revenue sharing funds transferred for payments of wages were not recorded in a manner that would enable GAO to determine whether the prevailing wage provision of the act had been violated.

7. Public participation in the local budgetary process, and the impact of revenue sharing on that process. Because of its small size and known fixed expenses, Woodruff does not have a formal budgetary process. Town finances are handled on a cash basis, and expenditures exceeding \$25 are approved at monthly council meetings open to the public. GAO's review indicated some public participation in these meetings.

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 Woodruff, South Carolina.

For the period January 1, 1972, through June 30, 1974, revenue sharing allocations to Woodruff totaled \$339,917, or a per capita allocation of \$72.48. Of the amount allocated, \$303,354 was received by June 30, 1974, and \$36,563 was received in July 1974. Woodruff received the maximum per capita amount which could be paid to a South Carolina municipality under the Revenue Sharing Act. Revenue sharing payments were equivalent to about 61 percent of Woodruff's 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 Woodruff.

1. The specific operating and capital programs funded in part or in whole by general revenue sharing in each jurisdiction. Woodruff had expended \$233,271 through June 30, 1974, with \$106,182 being designated as used for public safety activities, \$98,624 for environmental protection, \$15,000 for public library service, \$13,405 for recreation, and \$60 for financial administration. The town's accounting records showed that, within these use designations, \$115,766 was used for operations and maintenance costs and \$117,505 for capital purposes. Most of the capital expenditures were for purchasing street, sanitation, and fire department equipment.

2. The fiscal condition of each jurisdiction, including its surplus or debt status. The general fund finances most services provided by the town, meets sinking fund requirements for outstanding general obligation bonds, and provides funds for permanent improvements. Deficits in the general fund balance, which have been present during each of the last five fiscal periods, and the town's short-term notes payable decreased significantly after receipt of revenue sharing funds. In addition, the town's outstanding general obligation debt gradually decreased from \$578,197 in 1969 to \$437,495 at the end of 1973.

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. Major taxes levied by Woodruff include a 90 mill tax on the assessed value of

taxable real and personal property and a tax on any business or profession operating within the town. Ad valorem property taxes are limited to 10 percent of the assessed value of taxable property. In 1974 the school district levied taxes of 116.6 mills on the assessed value of taxable real and personal property located in the town. The school tax rate changes each year with the school district budget. The following schedule shows receipts from the major town and school district taxes during the last 5 fiscal years.

	Fiscal year				
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Town:					
Property taxes and licenses	a/\$369,809	b/\$ 71,166	\$218,589	\$203,849	\$217,710
School district:					
Property taxes	212,387	201,571	237,915	225,235	254,672

a/The town changed its fiscal year to the calendar year during this period; receipts cover about 15 months.

b/Receipts of taxes during this period were deferred because the county assumed collection responsibility.

The mayor said Federal revenue sharing funds significantly improved the town's financial condition, and a property tax increase would have been detrimental.

The percentage of a family's income that is paid to the town of Woodruff, other local governments--including the county government and school district--and to the State government increases as family income increases. The tax burden for a family of four increased from 7.5 percent of family income to 7.8 percent and 8.8 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. Woodruff does not have a formal budgetary process. The mayor felt it was unnecessary because of the town's small size and the known fixed government expenses. Of the \$193,668 in revenue sharing funds it had received as of December 31, 1973, the town expended none in 1972 and \$165,601 in 1973. Revenue sharing expenditures were equivalent to 34.7 percent of the total expenditures for 1973.

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.

Woodruff, South Carolina, 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 WOODRUFF

Woodruff is in northwestern South Carolina in the foothills of the Blue Ridge Mountains and the heart of the southern textile industry. According to the 1970 census, Woodruff's population was 4,690, and its median family income was \$8,163. Three manufacturing plants within the town employ about 1,500 people.

Woodruff is governed by a town council composed of a mayor and six councilmen elected for 4-year terms. The mayor presides at regular monthly council meetings. The council elects a recorder (municipal magistrate) whose term is coterminous with that of the mayor. The council also elects the town attorney and the clerk-treasurer for 2-year terms. Only the clerk-treasurer is a full-time town employee. The clerk-treasurer records council proceedings, collects taxes and fees due the town, makes all disbursements upon proper authority of the council, and renders to the council a quarterly statement of the financial condition of the town.

Responsibility for maintaining the town's public schools rests with the county board of education, which encompasses the town and some adjacent area.

The town provides police and fire protection, maintains streets which are not maintained by the county or State, provides garbage collection services, provides a sewer system and services, and maintains limited recreation facilities. Water is supplied to customers in Woodruff and a nearby town by an independent water district, which provides and maintains a water distribution system within the county.

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 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.

Woodruff was constrained at the 145 percent level in all four entitlement periods (January 1, 1972, through June 30, 1974). However, the overall effect of constraints on governments in the State resulted in an increase in Woodruff's allocation. When certain governments in South Carolina were reduced to the 145 percent level, the excess was distributed to unconstrained governments in the State and this excess was sufficient to bring the allocations of certain governments, such as Woodruff, up to the 145 percent constraint level. Woodruff was allocated and paid \$339,917, including \$36,563 received in July 1974. Our calculations showed that, if the allocation formula were applied in South Carolina without all the act's constraints, Woodruff's allocation for the period January 1, 1972, through June 30, 1974, would have been \$332,603.

The following schedule shows revenue sharing per capita and revenue sharing as a percentage of adjusted taxes for Woodruff, Fort Mill Town--whose population of 4,505 is close to Woodruff's 4,690--and Columbia and Charleston, the two largest cities in South Carolina, with populations of 113,542 and 66,945, respectively.

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

<u>City</u>	<u>Received</u> (note a)	<u>Per capita</u> <u>share</u>	<u>As a percent of</u> <u>taxes (note b)</u>
Woodruff	\$ 339,917	\$72.48	60.9
Fort Mill Town	301,032	66.82	51.0
Columbia	8,033,839	70.76	53.4
Charleston	4,851,973	72.48	36.1

a/Includes payment received in July 1974 for quarter ended June 30, 1974.

b/Fiscal 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 145 percent constraint for the governments in South Carolina for the period covered was \$72.47 per capita. (The difference between the \$72.47 maximum value and Woodruff's and Charleston's \$72.48 per capita is due to rounding.) The 20 percent constraint was \$9.98 per capita.

CHAPTER 2

BUDGETING AND PUBLIC PARTICIPATION

IN THE BUDGETARY PROCESS

In 1974 the town had two major funds, the general fund and the Federal revenue sharing fund, each a distinct entity.

1. General fund--derives its revenue from taxes, fees, fines, service charges, and grants from the State and Federal governments. It finances most services provided by the town, meets sinking fund requirements for outstanding general obligation bonds, and provides funds for necessary permanent improvements.
2. Federal revenue sharing fund--is used to account for revenue sharing.

RELATIONSHIP OF REVENUE SHARING TO TOTAL EXPENDITURES

Woodruff has no formal budgetary process, although the South Carolina Appalachian Council of Governments, at the town's request, prepared budgets for 1972 and 1973. While revenue sharing funds were anticipated, they were not included in either budget, and the 1973 budget was never formally adopted. Because of the town's small size and known fixed expenses, the mayor felt a formal budgetary process was unnecessary.

As of December 31, 1973, Woodruff had received \$193,668 in revenue sharing funds. Of this amount, \$62,465 was received in 1972. The town did not expend revenue sharing funds in 1972. In 1973 it expended \$165,601, or 34.7 percent of its total expenditures. The following table shows Woodruff's total expenditures for 1972 and 1973 and revenue sharing funds received and expended. (Actual uses of revenue sharing are discussed in ch. 3.)

<u>Woodruff</u>	<u>Completed fiscal years (note a)</u>	
	<u>1972</u>	<u>1973</u>
Town expenditures (note b)	\$321,914	\$ 476,742
School district budget	<u>510,570</u>	<u>548,828</u>
Total (note b)	<u>\$832,484</u>	<u>\$1,025,570</u>
Revenue sharing payments received	\$62,465	\$131,203
Revenue sharing funds expended	-	\$165,601
Cumulative revenue sharing payments received but not expended	\$62,465	\$28,067
Percentage of town expenditures represented by revenue sharing	-	34.7
Percentage of town expenditures and school district budget represented by revenue sharing	-	16.1

a/The town's fiscal year ends December 31; the school district's fiscal year ends June 30.

b/Includes revenue sharing expenditures.

School district budget data is included in the foregoing table to make the data comparable with those of local governments whose responsibilities include operating 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.

PUBLIC INVOLVEMENT
IN BUDGETARY PROCESS

As previously mentioned, the town does not have a formal budgetary process. Town finances are handled on a pay-as-you-go basis. Expenditures exceeding \$25 are approved by the town council at monthly meetings open to the public. Council meeting minutes showed that various individuals and local groups attend and participate in the meetings.

In addition to open discussion in council meetings, planned and actual use reports of revenue sharing funds are published in the local newspapers.

A representative of a local public interest group, which sponsors antipoverty programs in the county, felt that the town should provide detailed data concerning the use of revenue sharing funds to every local agency. Representatives of this group had attended a council meeting and requested the town to use revenue sharing funds to finance some of the local community action center expenses. The council felt other town needs were more urgent.

CHAPTER 3

PROGRAMS FUNDED WITH REVENUE SHARING

Woodruff was allocated \$339,917 in revenue sharing funds for the period January 1, 1972, through June 30, 1974. Of this amount, \$303,354 was received by June 30, 1974, and \$36,563 was received in July 1974. As of June 30, 1974, interest earned on the funds totaled \$1,747, and a total of \$233,271 had been expended.

USES OF REVENUE SHARING

The uses of revenue sharing funds described in this chapter are those reflected by Woodruff'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 town financial records.

Functional uses

Of the \$233,271 expended as of June 30, 1974, \$115,766 was for operations and maintenance expenses and \$117,505 was for capital purposes, as shown below.

	<u>Amount expended</u>
Operations and maintenance:	
Public safety	\$ 56,105
Environmental protection	53,079
Recreation	6,522
Financial administration	<u>60</u>
Total	<u>\$115,766</u>
Capital:	
Public safety	\$ 50,077
Environmental protection	45,545
Recreation	6,883
Public library	<u>15,000</u>
Total	<u>\$117,505</u>

Specific uses

Of the revenue sharing funds expended for operations and maintenance, \$100,000 was transferred to the general fund to reduce the town debt. The debt was attributed to 1972 expenses--\$50,000 in the street and sanitation department and \$50,000 in the police and fire departments.

Funds expended for capital purposes included \$35,910 for purchasing fire department equipment, \$4,906 for a traffic signal system, \$45,545 for street and sanitation department equipment, \$8,089 for police department cars and equipment, \$6,883 for recreation facilities, and \$15,000 for furniture and equipment for a new public library.

All services and capital equipment and facilities to which revenue sharing funds were applied benefited the general public.

Plans for unexpended funds

Woodruff does not budget anticipated revenue sharing funds for each department. Our examination of subsequent expenditures showed that the revenue sharing funds on hand at June 30, 1974, were being used primarily for operating expenses--public safety and environmental protection.

ACCOUNTING FOR REVENUE SHARING FUNDS

Revenue sharing funds are placed in a separate bank account, and the receipts, interest earned, and disbursements

are recorded in a separate ledger, using the same accounting procedures which are used for the general fund. Expenditures are usually made directly from the revenue sharing bank account as directed by the town council. Sometimes the funds are used to reimburse the general fund for specific expenditures. Funds on hand that are not required for immediate use are invested by the clerk-treasurer according to the town council's instructions.

AUDITS OF REVENUE SHARING

The town has an annual audit performed by a firm of certified public accountants. At the time of our review, an audit had been made which included expenditures of revenue sharing funds during the year ended December 31, 1973. In the report issued on May 27, 1974, the auditor expressed an opinion that the assets, liabilities, and fund balances resulting from cash transactions were fairly presented on a basis consistent with that of the preceding year. The auditor also commented on the status of revenues, indebtedness, permanent improvements, and other aspects of financial management.

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.

We were unable to identify a town or county agency responsible for civil rights enforcement in Woodruff. However, South Carolina has had a Commission on Human Affairs since June 23, 1972. The commission has 19 members, appointed by the Governor for 3-year terms, and was created to encourage fair treatment, eliminate and prevent discrimination, and foster mutual understanding and respect among all people in the State. However, the commission has no authority to probe discrimination charges brought against a municipality or private employer. For enforcement purposes, complaints are referred to the district office of the U.S. Equal Employment Opportunity Commission.

Comparison of local government
work force and civilian labor force

Woodruff had 27 full-time employees as of June 30, 1974. The following table shows that the percentage of blacks employed by the town government as of that date was significantly higher than that in the civilian labor force (1970 census) of Spartanburg County, where Woodruff is located. The percentage of females employed by the town government, however, was considerably below the percentage of females in the civilian labor force.

	<u>Male</u>		<u>Female</u>		<u>Total</u>	
	<u>Number</u>	<u>Per- cent</u>	<u>Number</u>	<u>Per- cent</u>	<u>Number</u>	<u>Per- cent</u>
Civilian labor force:						
Total	<u>44,120</u>	<u>59.5</u>	<u>30,005</u>	<u>40.5</u>	<u>74,125</u>	<u>100.0</u>
Black	7,348	9.9	6,494	8.8	13,842	18.7
Town government work force:						
Total	<u>25</u>	<u>92.6</u>	<u>2</u>	<u>7.4</u>	<u>27</u>	<u>100.0</u>
Black	11	40.7	-	-	11	40.7

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 expenditures 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.

During the year ended June 30, 1974, the town promoted 1 white male and hired 22 males. Twelve of the men hired were blacks, and the remaining 10 were white. A detailed breakdown of the above statistics by function and job category is presented in appendixes I and II.

Blacks were employed only in service/maintenance jobs, which the mayor said were the only full-time jobs that blacks had sought. He felt a black would be hired over an equally qualified white but believed that the blacks seeking full-time employment had not been qualified for other than service/maintenance positions. He added that the town government does have two part-time black policemen and would welcome black applicants for full-time police positions.

The mayor said few white--and no black--women had applied for town employment but that qualified women are eligible for any unfilled position.

Neither the Equal Employment Opportunity Commission nor the local chapter of the National Association for the Advancement of Colored People (NAACP) could identify any employment discrimination complaints against Woodruff since December 31, 1971. The courts had adjudicated one suit brought against the town's police department regarding employment discrimination. In this suit, two issues were involved:

--Whether the town discriminated against a woman's employment by paying her an inadequate salary under the guise of hiring her as a meter maid, when she performed the duties of a patrol person.

--Whether the town denied the plaintiff due process by refusing her a hearing when she was terminated.

On April 23, 1974, the U.S. District Court for the district of South Carolina ordered the case dismissed.

At the time of our review, the NAACP representative was not aware of any discriminatory practices by the town. We found no civil rights suits pending against Woodruff.

Services and capital projects

We found no evidence that services and capital projects funded through revenue sharing were provided or located in an obviously discriminatory manner.

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.

We found three projects costing \$13,008, \$2,505, and \$4,906 where the town did not obtain a wage determination from the Secretary of Labor. More than 25 percent of the cost of each project was paid with revenue sharing funds. The mayor told us it had never occurred to them that the Davis-Bacon provision applied to their small projects.

Being inexperienced with the Davis-Bacon provision, the mayor could give no opinion on its cost impact. However, the town attorney felt compliance with the Davis-Bacon provision could significantly increase costs if wage determinations were based on wage rates in a more urban and unionized area. The mayor said that in the future the Davis-Bacon provision would be considered and that use of revenue sharing would be avoided if it were to increase construction costs.

PREVAILING WAGE PROVISION

The Revenue Sharing Act provides that certain recipient employees whose wages are paid in whole or in part out of 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.

Our review of payroll records identified two full-time social security recipients and seven part-time employees who were paid less than prevailing wages for similar police department occupations. During their employment in 1972 and 1973, revenue sharing funds were transferred to the general fund to cover a large portion of the protective service functions. However, the disposition of the specific funds transferred was not recorded in a manner enabling us to determine if any of these nine employees were paid in whole or in part with revenue sharing funds.

As of August 1974, all nine persons were either being paid the prevailing wage or were no longer employed by the town.

CHAPTER 5

FINANCIAL STATUS

TREND OF FUND BALANCES

The following table shows the cumulative surplus or deficit ending-fund balance for each of the town's major funds for a 5-year period.

Town fund (note a)	Fiscal year				
	<u>1969</u> (note b)	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
General	\$-53,638	\$-775	\$-141,089	\$-133,760	\$-33,879
Sewer construction	86,534	589	-	-	-
Sewer bond sinking	-28,102	-	41,104	37,105	36,505
Emergency Employment (note c)	-	-	-	7,608	5,415
Federal revenue sharing	-	-	-	62,465	28,958

a/A description of major town funds in 1974 is on p. 5.

b/The balance of funds as of October 14, 1969. The fiscal year was changed to a calendar year in 1970.

c/Closed out in January 1974.

The town's general fund deficit balance decreased significantly with receipt of revenue sharing funds. The mayor said the town's financial condition improved significantly with the receipt of revenue sharing funds. He said that without revenue sharing, general revenues would not have been sufficient to meet expenses, and an increase in property taxes, already high for the area, would have been detrimental to the town.

The town has no pension fund. Full-time police officers and part-time officers earning more than \$2,000 a year are members of the South Carolina Police Officers Retirement System.

INDEBTEDNESS

The following table shows the outstanding debt of the town for a 5-year period.

	Fiscal year (note a)				
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Gross outstanding general obligation bonded debt	\$579,000	\$544,000	\$521,000	\$498,000	\$474,000
Less: sinking fund assets	<u>803</u>	<u>589</u>	<u>41,104</u>	<u>37,105</u>	<u>36,505</u>
Net town out- standing gen- eral obliga- tion debt	578,197	543,411	479,896	460,895	437,495
Long-term outstanding mortgage pay- able to bank	24,000	18,000	18,000	15,000	9,000
Short-term outstanding notes payable to bank	<u>50,000</u>	<u>-</u>	<u>105,000</u>	<u>100,000</u>	<u>-</u>
Net outstanding bonded debts, mortgages, and notes payable	<u>\$652,197</u>	<u>\$561,411</u>	<u>\$602,896</u>	<u>\$575,895</u>	<u>\$446,495</u>

a/Fiscal year 1969 ended October 14, 1969. The fiscal year was changed to the calendar year for 1970 and subsequent years.

Borrowing procedures

Woodruff is authorized to incur debt based on a percentage of the assessed value of taxable property. Before general obligation bonds are issued, the town council must receive a petition filed by a majority of town property holders. There must then be a favorable vote by qualified voters on the petition before the bonds may be issued. Proceeds from the sale of bonds must be deposited in a separate fund and applied solely to the purpose for which they were issued.

No quality ratings were available on Woodruff's outstanding bonds, but it has experienced no such problems as voter rejection, incomplete subscription, or high interest rates in selling its bonds. Sewer improvement bonds issued in 1969 were the last general obligation bonds sold by the town.

Borrowing restrictions

In incurring tax-supported general obligation debt, Woodruff is limited to an amount equal to 8 percent of the assessed value of taxable property. The last official town assessment preceding the bond issue is the assessed value for this purpose. This limitation does not apply to bonds issued for the purchase, establishment, and maintenance of a waterworks plant, sewerage system, or lighting plant.

Other restrictions on general obligation bonds issued by the town require that (1) some mature within 5 years, (2) at least 2 percent mature in any year, and (3) all mature within 40 years of the date issued.

As of December 31, 1974, the town's bonded debt limit was \$134,315. Sewer bonds, the only bonds outstanding at that date, are exempt from this limitation.

TAXATION

Major taxes levied

A description of the major taxes levied by the town and the school district follows.

Town Taxes

Real property tax--90 mills levied annually on the assessed value of taxable real property located within the town. The assessed value of residential, farmland, and most commercial real property is 4.2 percent of fair market value. Property of manufacturers and utilities is assessed at 9.5 percent of fair market value.

Personal property tax--90 mills levied annually on the assessed value of taxable property other than real property. All personal property is assessed at 9.5 percent of fair market value.

Business license tax--levied annually on any business or profession for the privilege of operating within the town. The tax rate is usually based on gross receipts but is a flat fee for certain classifications of businesses or professions.

School District Taxes

The rates used by the school district in assessing fair market value of real and personal property are the same as the rates used by the town.

Current school tax--levied annually on the assessed value of taxable real and personal property in the town. The rate varies with the size of the annual school district budget. The tax rate for 1974 was 95.6 mills.

School bond tax--levied annually on the assessed value of taxable real and personal property in the town. The tax rate for 1974 was 4.7 mills.

General school tax--13 mills levied annually on the assessed valuation of taxable real and personal property in the town and county. Proceeds from 5 of the 13 mills are used to insure a minimum of \$250 per school pupil. The remaining 8 mills is distributed to all schools in the county according to average daily attendance.

Vocational school tax--levied annually on the assessed value of taxable real and personal property in the town. The tax rate for 1974 was 3.3 mills.

Changes in Town Taxes

During fiscal years 1970-74, the following changes occurred in the major taxes levied by the town.

Real property tax--Assessment ratios were changed from 10 percent for land, 5 percent for residential buildings, and 7 percent for commercial buildings to a standard 4.2 percent of fair market value, effective calendar year 1971. For tax year 1973, the assessed value of real property for all utilities and manufacturers was established at a uniform 9.5 percent of fair market value.

Personal property tax--Effective January 1, 1973, assessment ratios determined by the South Carolina Tax Commission for personal property were changed from 10 percent to 9.5 percent of fair market value, and the assessed value of personal property of all utilities and manufacturers was established at a uniform 9.5 percent of fair market value.

Business license tax--Ordinance was revised effective November 12, 1973, adding some business and occupational classifications and changing rates and methods of levying.

Changes in School District Taxes

Real and personal property tax rates, for all but the general school tax, changed each year with the school district budget. Changes in school district tax levies during fiscal years 1970-74 are shown below.

<u>Tax</u>	<u>Fiscal year ended June 30</u>				
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
	----- (mills) -----				
Current school	68	70	77.4	93.2	95.6
School bond	13	11	8.3	11.2	4.7
General school	13	13	13.0	13.0	13.0
Vocational school	4	4	3.9	4.1	3.3

Changes in property assessment ratios for school district taxes were the same as for town real and personal property.

The following schedules show the total receipts for major town and school district taxes.

Town Tax Receipts

<u>Major taxes</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Property taxes a/\$345,173 b/\$55,873	\$201,015	\$184,469	\$195,530		
Business licenses	<u>24,636</u>	<u>15,293</u>	<u>17,574</u>	<u>19,380</u>	<u>22,180</u>
	<u>\$369,809</u>	<u>\$71,166</u>	<u>\$218,589</u>	<u>\$203,849</u>	<u>\$217,710</u>

a/The town changed its fiscal year to the calendar year during this period, and receipts for the period cover about 15 months.

b/Receipts of taxes during this period were deferred as a result of the county assuming collection responsibility.

School District Tax Revenues (note a)

<u>Major taxes</u>	<u>Fiscal year ended June 30</u>				
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Current school	\$147,870	\$144,461	\$184,273	\$179,721	\$214,448
School bond (sinking fund)	28,145	22,802	20,328	21,625	11,793
General school (countywide)	27,674	26,059	24,030	15,984	21,029
Vocational school	<u>8,698</u>	<u>8,249</u>	<u>9,284</u>	<u>7,905</u>	<u>7,402</u>
Total	<u>\$212,387</u>	<u>\$201,571</u>	<u>\$237,915</u>	<u>\$225,235</u>	<u>\$254,672</u>

a/These school tax revenues include only that portion of school district taxes allocated to town property.

Taxing limitations

The town's annual ad valorem property tax on real and personal property is limited to 10 percent of the assessed value of all taxable property in the town. School district taxes are limited only by the amounts necessary to meet approved budgeted expenditures for the district.

Family tax burden

Woodruff levies the second highest property tax in Spartanburg County. The following table shows assumptions made in determining the tax burden on a family of four living in the town in 1973. Under each assumption, the family consists of a husband, wife, and two minor children. Their annual income consists only of wages with no investments or interest income and no capital gains. The family has no assets other than their house, personal property, and car(s).

<u>Assumptions</u>	<u>Family</u>		
	<u>A</u>	<u>B</u>	<u>C</u>
Family income	\$ 7,500	\$12,500	\$17,500
House value (new house)	18,750	31,250	43,750
Personal property-- furniture (note a)	1,500	2,500	3,500
Market value of car (note b)	1,700	1,800	2,300
Gasoline consumed annually (gallons)	1,000	1,000	1,500

a/Furniture is not taxable.

b/Family C has two cars.

Using the above assumptions, the following table shows the tax burden in 1973 on a family of four living in the town.

<u>Tax</u>	<u>Family</u>		
	<u>A</u>	<u>B</u>	<u>C</u>
Town:			
Real property	\$ 71.10	\$117.90	\$ 165.60
Automobile (personal property)	<u>14.54</u>	<u>15.39</u>	<u>19.67</u>
Total	<u>85.64</u>	<u>133.29</u>	<u>185.27</u>
County:			
Real property	47.08	78.08	109.66
Automobile (personal property)	<u>9.63</u>	<u>10.19</u>	<u>13.02</u>
Total	<u>56.71</u>	<u>88.27</u>	<u>122.68</u>
School district:			
Real property	92.11	152.75	214.54
Automobile (personal property)	<u>18.83</u>	<u>19.94</u>	<u>25.48</u>
Total	<u>110.94</u>	<u>172.69</u>	<u>240.02</u>
State:			
Income	86.50	298.00	631.00
Sales	144.00	198.00	244.00
Gasoline	<u>80.00</u>	<u>80.00</u>	<u>120.00</u>
Total	<u>310.50</u>	<u>576.00</u>	<u>995.00</u>
Total	<u>\$563.79</u>	<u>\$970.25</u>	<u>\$1,542.97</u>
Total as percentage of income	<u>7.52</u>	<u>7.76</u>	<u>8.82</u>

Note: In computing real property taxes, assessed valuations were rounded to the nearest \$10.

Following is a description of State taxes a town resident might be required to pay.

--Income tax--2 percent on the first \$2,000 and increasing percentages to a maximum of 7 percent of taxable income in excess of \$10,000.

--Sales tax--4 percent of gross sales on most purchases.

--Gasoline tax--8 cents per gallon.

Other State taxes a town resident might be required to pay include:

--Tobacco tax--6 cents on a pack of cigarettes.

--Soft drink or crown tax--1 cent on 12 ounces.

--Beer tax--6/10 cent an ounce.

CHAPTER 6

OTHER FEDERAL AID

FEDERAL AID RECEIVED

Woodruff receives Federal aid in the form of direct grants and grants through the State. Exclusive of revenue sharing funds, the town received about \$270,000 in Federal aid during fiscal years 1972, 1973, and 1974. The purpose and amount of Federal aid received in each of these fiscal years is shown in the following schedule.

<u>Program</u>	<u>Fiscal year</u>		
	<u>1972</u>	<u>1973</u>	<u>1974</u>
Emergency Employment	\$157,876	\$96,026	\$ -
Law Enforcement Assistance	-	2,530	-
Environmental Protection	-	-	<u>13,600</u>
Total	<u>\$157,876</u>	<u>\$98,556</u>	<u>\$13,600</u>

Woodruff expects to receive \$12,117 in Public Service Employment funds during 1975. Estimates of other Federal aid that might be received in 1975 were not available.

REDUCTION IN FEDERAL
AID AND IMPACT ON RECIPIENT

The mayor felt that the Emergency Employment program was terminated because it had served its purpose. Four of 36 positions established under the program were retained. These positions cost the town over \$32,000 in 1974. The mayor felt that, because of the town's growth, these positions would have been established even if Emergency Employment funds had not been received. He was not aware of any change in availability of needed Federal aid.

CHAPTER 7

SCOPE OF REVIEW

We discussed the revenue sharing program with the mayor and other town officials and obtained their views on the implementation and impact of revenue sharing on the town. We examined the town's records pertaining to revenue sharing, including minutes of the town council meetings, budgets, accounting records and ledgers, audit reports, and legal requirements and restrictions regarding taxation and debt. Information on school district taxes was obtained from county officials. We also obtained information from civic and civil rights organizations and from the district office of the Equal Employment Opportunity Commission. Our work was limited to gathering selected data relating to areas identified by the Subcommittee Chairman.

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

TOWN GOVERNMENT WORK FORCE
WOODRUFF, SOUTH CAROLINA
JUNE 30, 1974

Function/job category	Male				Female				Total			
	White	Black	Other	Total	White	Black	Other	Total	White	Black	Other	Total
All functions:												
Officials	2	-	-	2	1	-	-	3	3	-	-	3
Office/clerical	-	-	-	-	1	-	-	1	1	-	-	1
Professionals	1	-	-	1	-	-	-	-	1	-	-	1
Technicians	3	-	-	3	-	-	-	-	3	-	-	3
Protective service	6	-	-	6	-	-	-	-	6	-	-	6
Service/maintenance	2	11	-	13	-	-	-	-	2	11	-	13
Total	<u>14</u>	<u>11</u>	-	<u>25</u>	<u>2</u>	-	-	<u>2</u>	<u>16</u>	<u>11</u>	-	<u>27</u>
Percent	<u>51.9</u>	<u>40.7</u>	-	<u>92.6</u>	<u>7.4</u>	-	-	<u>7.4</u>	<u>59.3</u>	<u>40.7</u>	-	<u>100.0</u>
Administration and general control:												
Officials	-	-	-	-	1	-	-	1	1	-	-	1
Office/clerical	-	-	-	-	1	-	-	1	1	-	-	1
Total	-	-	-	-	<u>2</u>	-	-	<u>2</u>	<u>2</u>	-	-	<u>2</u>
Percent	-	-	-	-	<u>100</u>	-	-	<u>100</u>	<u>100</u>	-	-	<u>100</u>
Police protection:												
Officials	1	-	-	1	-	-	-	-	1	-	-	1
Professionals	1	-	-	1	-	-	-	-	1	-	-	1
Technicians	2	-	-	2	-	-	-	-	2	-	-	2
Protective service	6	-	-	6	-	-	-	-	6	-	-	6
Total	<u>10</u>	-	-	<u>10</u>	-	-	-	-	<u>10</u>	-	-	<u>10</u>
Percent	<u>100</u>	-	-	<u>100</u>	-	-	-	-	<u>100</u>	-	-	<u>100</u>
Streets and highways:												
Service/maintenance	-	4	-	4	-	-	-	-	-	4	-	4
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>
Sewerage and sanitation:												
Officials	1	-	-	1	-	-	-	-	1	-	-	1
Technicians	1	-	-	1	-	-	-	-	1	-	-	1
Service/maintenance	2	7	-	9	-	-	-	-	2	7	-	9
Total	<u>4</u>	<u>7</u>	-	<u>11</u>	-	-	-	-	<u>4</u>	<u>7</u>	-	<u>11</u>
Percent	<u>36.4</u>	<u>63.6</u>	-	<u>100.0</u>	-	-	-	-	<u>36.4</u>	<u>63.6</u>	-	<u>100.0</u>

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

BEST DOCUMENT AVAILABLE

TOWN GOVERNMENT NEW HIRES
WOODRUFF, SOUTH CAROLINA
YEAR ENDED JUNE 30, 1974

Function/job category	Male				Female				Total			
	White	Black	Other	Total	White	Black	Other	Total	White	Black	Other	Total
All functions:												
Professionals	1	-	-	1	-	-	-	-	1	-	-	1
Technicians	1	-	-	1	-	-	-	-	1	-	-	1
Protective service	4	-	-	4	-	-	-	-	4	-	-	4
Service/maintenance	4	12	-	16	-	-	-	-	4	12	-	16
Total	<u>10</u>	<u>12</u>	-	<u>22</u>	-	-	-	-	<u>10</u>	<u>12</u>	-	<u>22</u>
Percent	<u>45.5</u>	<u>54.5</u>	-	<u>100</u>	-	-	-	-	<u>45.5</u>	<u>54.5</u>	-	<u>100</u>
Police protection:												
Professionals	1	-	-	1	-	-	-	-	1	-	-	1
Protective service	4	-	-	4	-	-	-	-	4	-	-	4
Total	<u>5</u>	-	-	<u>5</u>	-	-	-	-	<u>5</u>	-	-	<u>5</u>
Percent	<u>100</u>	-	-	<u>100</u>	-	-	-	-	<u>100</u>	-	-	<u>100</u>
Streets and highways:												
Service/maintenance	1	3	-	4	-	-	-	-	1	3	-	4
Total	<u>1</u>	<u>3</u>	-	<u>4</u>	-	-	-	-	<u>1</u>	<u>3</u>	-	<u>4</u>
Percent	<u>25</u>	<u>75</u>	-	<u>100</u>	-	-	-	-	<u>25</u>	<u>75</u>	-	<u>100</u>
Sewerage and sanitation:												
Technicians	1	-	-	1	-	-	-	-	1	-	-	1
Service/maintenance	3	9	-	12	-	-	-	-	3	9	-	12
Total	<u>4</u>	<u>9</u>	-	<u>13</u>	-	-	-	-	<u>4</u>	<u>9</u>	-	<u>13</u>
Percent	<u>30.8</u>	<u>69.2</u>	-	<u>100</u>	-	-	-	-	<u>30.8</u>	<u>69.2</u>	-	<u>100</u>

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

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