

OFFICE OF THE TREASURER COUNTY OF CHESTER

2007

ANNUAL REPORT



Alan J. Randzin,
Treasurer

OFFICE OF THE TREASURER OF CHESTER COUNTY

Annual Report

2007

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Executive Summary

Last year, 2006, marked the beginning of a new trend in the Treasurer's Office making it the first year in which, an annual report was published. The report, titled *Special Report, Presented To The Board Of Commissioners*, is a thorough presentation of the services provided by this office, and is complete with financial and performance data which provide an in-depth view of the inner workings of the Treasurer's Office.

It is our intention, going forward, to continue to provide an annual report, but our focus will be on updating only those issues and data as they relate to the most recently closed business cycle and other relevant topics, which have a bearing on the current business year.

The reader will find that this report contains an analysis of calendar year 2006, and a look ahead at the 2007 budget. Included are topics that have become important goals for this office, and the steps we will take to achieve those goals.

For those who may be interested in additional descriptive information about the duties of this important office, we invite and encourage you to read our departmental brochure or visit our website, <http://www.chesco.org/treasurer>, which is frequently updated to reflect the current state of our office.

Respectfully,

Alan J. Randzin, Treasurer

FOREWORD

This report of the Office of The Treasurer of Chester County is intended to provide a useful comparative analysis for the citizens of the County. The report contains information about the final results of 2006 and also expected results for 2007.

The first annual report titled Special Report, Presented To The Board Of Commissioners, and published in 2006, will serve as a baseline for background information with regard to the services offered by the Treasurer's Office, and only important changes will be mentioned in this report. Wherever necessary, some of the previous report will be excerpted and included to provide clarity.

An important topic for the 2007 calendar year will be our *Business Continuity Plan* (See the section subtitled NEW THIS YEAR). In the post 9/11-economic climate, where security is a major concern, an essential consideration is contingency planning to cover potential catastrophic damages from unexpected events such as fire, storms, vandalism or theft. A special section is included, which provides a view of how our office has taken a proactive approach to this new way of planning for such events.

We trust that this report will provide the reader with a reasonable and accurate accounting of the Office of The Treasurer of Chester County for the period ending December 31st, 2006 and a view forward to 2007.

THE OFFICE OF THE TREASURER OF CHESTER COUNTY

POINTS OF INTEREST

(Updated to reflect all 2006 activity)

Did you know?

- That the dollar value of all transactions processed either directly or indirectly by the Treasurer's Office exceeds **\$1.4 Billion** on an annual basis.¹
- That County residents may make tax payments at any one of 8 different tax banks or their member branches, all of which total to 46 separate locations (not including the Courthouse or mail-ins), *and*
- That all of the collected tax money is first recorded by the Treasurer's Office, *and*
- That the number of real estate transactions processed annually exceeds 177,000, *and*
- That the yearly amount of real estate taxes collected, recorded and deposited by the Treasurer's Office is approximately \$125 million annually.
- That most money received by the various departments of County government is deposited by the Treasurer's Office.
- That all money deposited in the County's main Concentrated Cash Account is examined by the Treasurer's Office as part of a bank statement reconciliation process on a monthly basis.
- That payroll and retirement transactions are examined by the Treasurer's Office on a monthly basis.
- That all money collected and received by registered hotels, under the Chester County Hotel Room Rental Tax law, is recorded and distributed by the Treasurer's Office, and is estimated at around \$1.5 million annually, *and*
- That the collected hotel tax translates to roughly \$75 million of net taxable room rental revenue, which becomes part of the annual hotel tax audit, *and*
- That approximately 70 hotels are audited by the Treasurer's Office on an annual basis.
- That an estimate of the combined number of State Agent licenses (fishing, hunting, dogs, pistol permits, small games of chance and bingo) and Certificates of Tax Payments distributed by the Treasurer's Office is estimated at approximately 65,000 documents and processing transactions per year.

¹ **NOTE:** This estimate is derived from the County's Accounts Receivable module by the use of database queries developed and executed by the County's Department of Computer and Information Services, and is regarded as highly accurate and reliable. The actual 2006 amount extracted by this process is \$1,461,998,579.87, which represents all deposit activity processed through the Treasurer's Office. This final number is the sum of all tax payments, and other monies deposited through the Treasurer's Office.

OFFICE OF THE TREASURER COUNTY OF CHESTER

Mission Statement

To provide collection, receipt, and deposit services for all funds due to and received by the County of Chester in a courteous, efficient, accurate, accountable and timely manner, and further to provide all other support services as required in a way that allows us to meet the combined needs of community, business and government while operating within the framework of the County's overall mission statement.

Purpose

The Office of the Treasurer serves primarily to receive, record and deposit most County funds resulting from payment of taxes, payment due on the sale of various state and county licenses, funds collected in the performance of public services, other state-related revenues (as agent for the State of PA), and payment of judgments and fines.

Other major functions (related to collection of tax payments) involve generating annual and interim real estate tax invoices, and the processing of resultant payments. Additional areas of responsibility include:

- Agent for the state regarding the issuance of licenses for hunting, fishing, pistol permits, and dog ownership
- Selling licenses for small games of chance
- Issuing certifications of tax payment
- Management of the county hotel tax program, including an annual audit of all businesses meeting the legal definition of "hotel"
- Providing an internal-control function within the county's accounting function, by performing a reconciliation of various bank statements
- Filing liens for delinquent taxes
- Distribution of Chester County payroll and accounts payable checks
- Serving the public in all matters related to our mission and purpose

GOALS AND OBJECTIVES

(Excerpted from the 2006 Annual Report)

Our primary objective is to provide the materials and services expected of the Treasurer, and as put forth in our *Mission Statement*, in an efficient and effective manner, but the spirit of this administration is to rise above mediocrity with an eye toward constant and continual improvement.

We periodically explore and review how services are provided relative to other alternative processes. A frequently asked question is “how can we speed up or improve (some function or process) in a more cost effective, efficient manner?” An example would be exploring the use of technology in the handling of a function or task. Prior to 2002, if we needed information regarding a measurement of performance, we typically turned to other internal departments for answers. Beginning in 2002, we adapted the use of current spreadsheet technology to the measurement of daily activities and inventories. We have provided additional workstations for the processing of dog licenses. We have converted all prior hotel tax accounting from a spreadsheet-based system into the Accounts Receivable module of the PeopleSoft database for added accuracy and data integrity. We have established an intradepartmental cross-training system, provided outside training (through currently available programs) for staff, and encouraged promotion from within.

By constantly asking, “is there a better way?”, we will be able to meet the needs of future demands on our services. An interesting question, for example, is “how can the Internet and our recently revised County website be used to allow on-line payment of taxes, both property and hotel taxes?” We can only discover answers to questions, if we first dare to ask the questions. Our overall objective is to leave no question unanswered.

2006 RESULTS

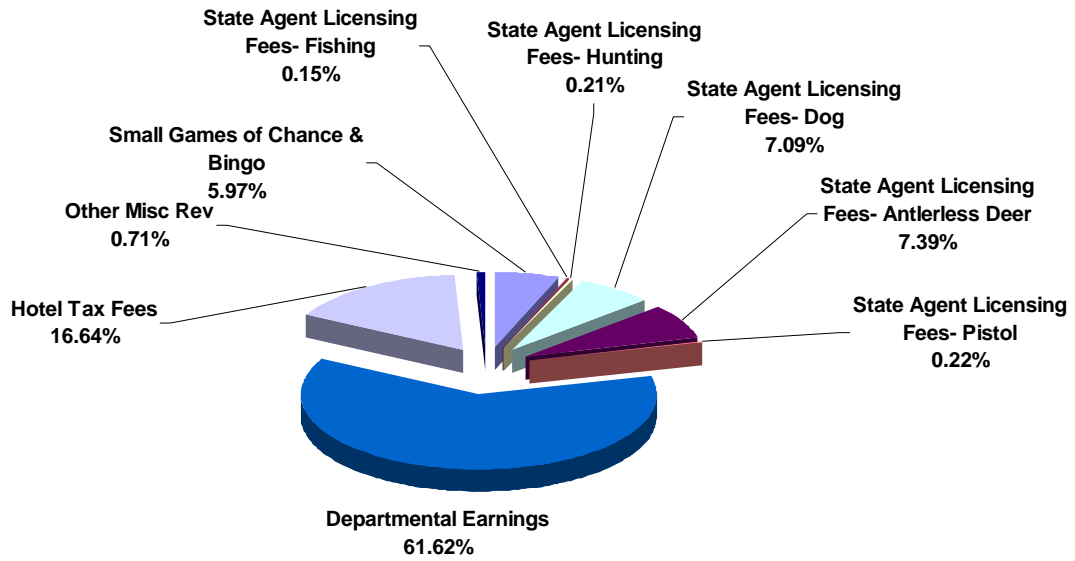
The following data are provided to measure 2006 results against expectations as provided in the 2006 Annual report.

	2006 Budget	2006 Actual	Fav/(Unfav) 2006 Variance
Small Games of Chance & Bingo	\$ 19,360.00	\$ 16,180.00	\$ (3,180.00)
State Agent Licensing Fees - Fishing	500.00	387.00	(113.00)
State Agent Licensing Fees - Hunting	675.00	466.00	(209.00)
State Agent Licensing Fees - Dog	23,000.00	29,707.00	6,707.00
State Agent Licensing Fees - Antlerless Deer	24,000.00	26,229.00	2,229.00
State Agent Licensing Fees - Pistol	720.00	366.00	(354.00)
Departmental Earnings	200,000.00	210,478.00	10,478.00
Hotel Tax Fees	54,000.00	61,136.72	7,136.72
Other Misc Rev	2,300.00	4,341.00	2,041.00
Total Revenue:	324,555.00	349,290.72	24,735.72
Elected Officials	67,702.00	67,701.66	0.34
Regular Salaries	377,173.00	361,853.92	15,319.08
Wages	10,888.00	9,302.19	1,585.81
Overtime	6,500.00	6,259.42	240.58
Materials and Services	109,114.00	110,853.50	(1,739.50)
PC Hardware/Software	1,710.00	1,734.52	(24.52)
Computer Hardware/Software	-	-	-
Total Expenditures:	573,087.00	557,705.21	15,381.79
NET ACTIVITY ¹:	\$ (248,532.00)	\$ (208,414.49)	\$ 40,117.51

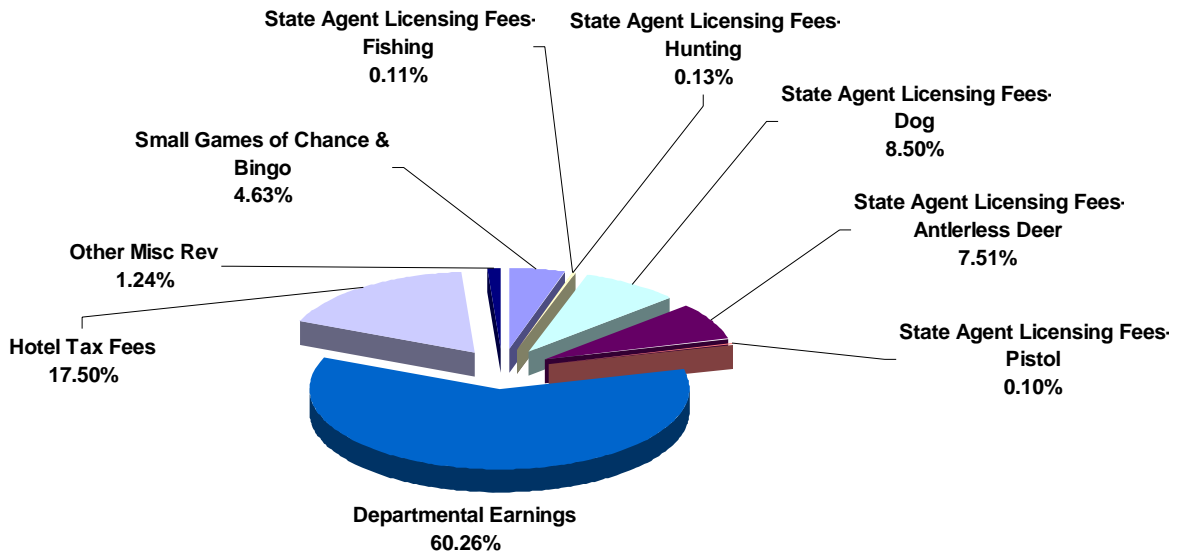
¹ Before FICA, Fringe & Pension Benefits, & Worker's Comp Premiums

It should be pointed out that State Agent revenue was previously given in the 2006 annual report as one amount. As a result of a request to those in the Finance Department, who are responsible for the overall budget system, we were able to modify the account number for State Agent revenue to reflect the individual components that make up the total amount. In this way a more careful and thorough approach to the analysis of this activity is made possible. The basic concept was to break State Agent revenue down into separate license categories, in order to determine, at a glance, how each revenue area was performing. In that way we would be able to manage the program more effectively and efficiently.

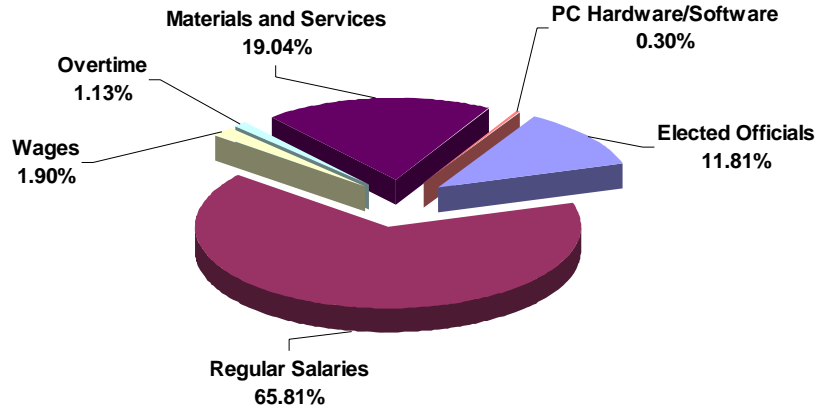
2006 Budget Revenue



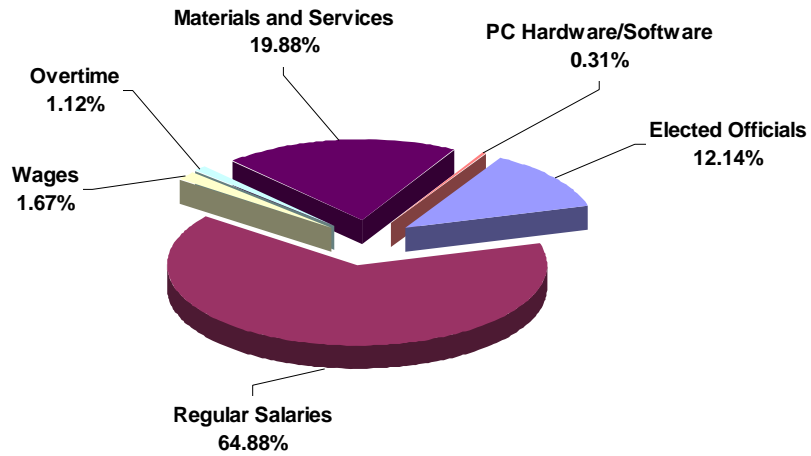
2006 Actual Revenue



2006 Budget Expenditures



2006 Actual Expenditures



2007 ANNUAL BUDGET

Prior to 2006 revenue had been separated into four distinct categories. However, through analysis, it was discovered that a fifth category needed to be added to the mix in order to more clearly define how the Office of the Treasurer was earning revenue.

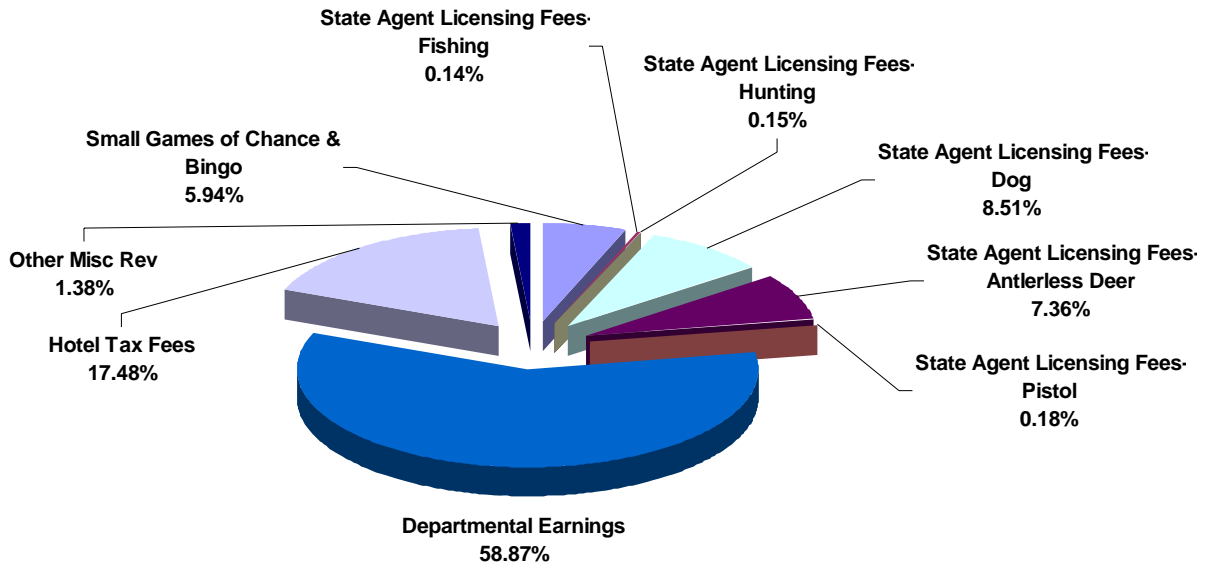
These five categories are: (1) Departmental Earnings, (2) State Agent fees from the sale of dog, fishing and hunting licenses, and pistol permits, (3) Small Games of Chance and Bingo permit fees, (4) Hotel Tax collection and administration fees, and (5) Other Miscellaneous Revenue. The fifth category was necessary to account for smaller sources of revenue such as penalties assessed on NSF (non-sufficient funds) checks.

The 2007 annual budget is presented below.

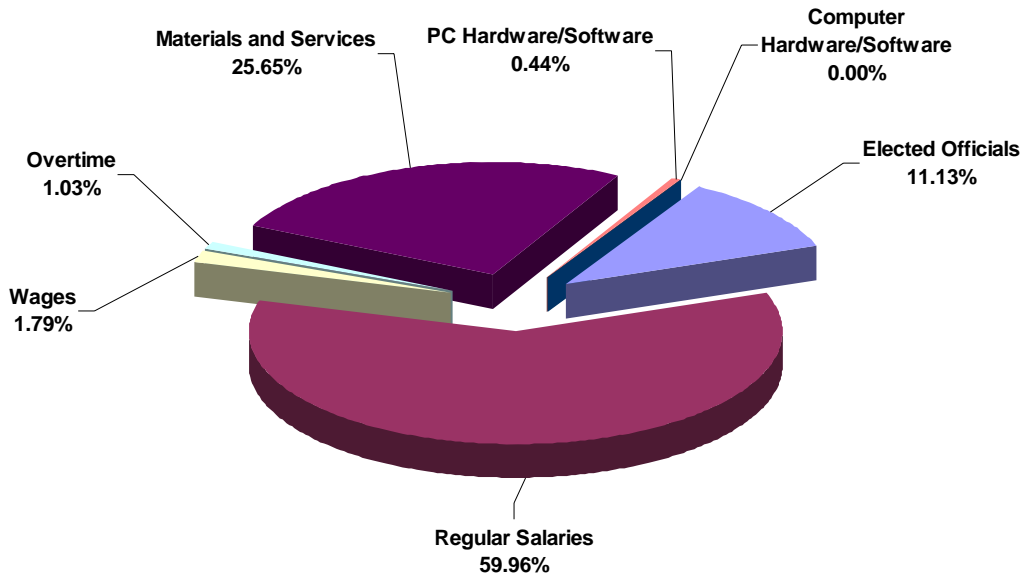
	<u>2007 Annual Budget</u>
Small Games of Chance & Bingo	\$ 19,360.00
State Agent Licensing Fees- Fishing	450.00
State Agent Licensing Fees- Hunting	475.00
State Agent Licensing Fees- Dog	27,750.00
State Agent Licensing Fees- Antlerless Deer	24,000.00
State Agent Licensing Fees- Pistol	600.00
Departmental Earnings	192,000.00
Hotel Tax Fees	57,000.00
Other Misc Rev	<u>4,500.00</u>
Total Revenue Budget	<u><u>326,135.00</u></u>
Elected Officials	70,241.00
Regular Salaries	378,505.00
Wages	11,326.00
Overtime	6,500.00
Materials and Services	161,918.00
PC Hardware/Software	2,750.00
Computer Hardware/Software	<u>-</u>
Total Expenditures Budget	<u><u>631,240.00</u></u>
Net Budget Activity ¹	<u><u>\$ (305,105.00)</u></u>

¹ Before FICA, Fringe & Pension Benefits, & Worker's Comp Premiums

2007 Budget Revenue



2007 Budget Expenditures



OVERVIEW OF SERVICES

(Excerpted from the 2006 Annual Report)

State Agency

The County Treasurer serves as the local authority, which represents the State of Pennsylvania, in the sale of various state-controlled licenses. The County, for its services, receives a small percentage of the revenue.

Real Estate Tax Process

The Office of the Treasurer invoices all owners of taxable property, after assignment of a tax amount by the Office of Assessment, annually. Updates to individual properties, as a result of improvements, may require interim billing, which is also performed by the Treasurer.

Upon receipt of payment of real estate taxes, the Office of the Treasurer records this information and is frequently called upon to certify that payment was received. This process normally occurs during the transfer of ownership.

The property owner is not always the party who remits the tax payment. There are several organizations, which engage in multiple payment transactions simultaneously.

These are typically mortgage or title companies who are making payment from escrowed funds, and these payments are processed in batches, electronically.

Centralized Depository

All receipts of cash or checks, once processed and recorded, are deposited on a daily basis.

Small Games of Chance & Bingo

The County Treasurer is the legal "Licensing Authority" recognized under Pennsylvania's Local Option Small Games of Chance Act (the Act), 10 P.S., 311-327.

Only not-for-profit organizations, those who qualify under the Act, may apply for and receive a license to operate a small game of chance.

Five games of chance may be conducted as defined in the Act. They are:

1. Punchboards
2. Pull – Tabs
3. Raffles (Includes lotteries)
4. Daily Drawings
5. Weekly Drawings

The County retains all proceeds from the sale of these licenses.

Hotel Tax Management

Ordinance #2-99 was declared into county law on 11/30/1999 with an effective date of 01/01/2000. Its purpose is to provide funds to promote tourism (and hence, economic development) within the county's borders. Senate Bill No. 366 (Session of 1999) provides the legal right to enact this tax.

The Treasurer is responsible for rules and regulations regarding collection and disbursement of tax money to the Chester County Convention & Visitors Bureau (CCCVB). Ordinance #2-99 defines the collection and remittance date restrictions imposed on hotels and the Office of the Treasurer.

Internal Control: Reconciliation of Bank Statements

The Office of the Treasurer serves as an internal accounting control function. In this capacity it tests for agreement between the general ledger and various bank statements for Chester County's main cash account, and payroll and pension accounts.

Disbursement

Similar to the account reconciliation process, an internal accounting control, the Treasurer's office serves as the disbursement function. All checks written by Accounts Payable are reviewed by and distributed from the Office of the Treasurer.

Additional Duties

- Filing liens for delinquent taxes
- Distribution of Chester County payroll and retirement checks
- Serving the public in all matters related to our Mission Statement

PERFORMANCE MEASURES

(2006 Units Update)

In our first annual report, 2006, we provided a detailed review of the *performance measures* analyzed in the Treasurer's Office. The categories listed in 2006 are repeated here along with actual 2006 results.

Performance categories are:

- **Department Revenue**
- **Department Expenditures**
- **Interim and Annual Tax Bills mailed**
- **Tax Payments Processed Annually (Lockbox, Electronic, Office, Tax Banks)**
- **Refund Processing**
- **Certifications (ordinary and duplicate tax payments)**
- **State Agent licenses sold**
- **Depository**
- **Internal Control**
- **Active Hotels**
- **Hotel Taxes Collected Annually**
- **Hotel Audits**
- **Hotel Tax Assessments**

2006 Actual Performance Units

Department Revenue (See Financials section for more detail): **\$349,290.72**

Department Expenditures (See Financials section for more detail): **\$555,705.21** (net of FICA, Fringe and Pension Benefits, and Worker's Compensation Premiums)

Annual and Interim Tax Bills Mailed: **184,349**

Refunds Processed (Qty, Dollar Amount): **868, \$448,511.14**

Tax Certification Units Issued: **12,525**

State Agent Licenses Sold ¹ :	382
Hunting	449
Dog	33,550
Antlerless Deer	26,093
Pistol Permits	59
Small Games of Chance	180

Deposit Transactions (Qty, Dollar Amount): **19,720, \$1,461,998,579.87**

Internal Controls: **12** bank reconciliations for Cash Concentration, Payroll/Pensions, and Office of Managed Behavioral Health

Hotel Activity (Active Hotels, Dollars Collected, Audits, Dollars Assessed): **72, \$1.5M, 69, \$11.6K**

¹ At approximately \$1.00 of revenue for each license transaction, you would expect the total of State Agent units above to agree with 2006 actual revenue, but this is not the case. The difference is caused by timing differences between the date sold and the date recorded.

NEW THIS YEAR

We are proud and pleased to present an innovative approach to contingency planning in a new program under study here in Chester County commonly referred to as a Business Continuity Plan. According to a recent independent evaluation of our goals, the scope of our intentions was briefly defined as follows: “To enable Chester County’s Treasurer’s Office to be a leader in business continuity, the objectives of this study are to facilitate and guide the department to develop a forward-looking, model Continuity Plan. The plan defines the methods to be followed to be quickly up and running in the event of a disaster or disabling event.”

This project represents the joint effort of the following four offices: Risk Assessment, Contracts and Purchasing, Department of Computer & Information Services, and the Office of The Treasurer.

This new effort involves the tasks of defining/documenting the necessary operational activities carried out by each member of our staff, and the tools and means used to do so on a daily basis. With this information, a program is established that further defines the steps necessary to recreate an environment in which all activities can continue in the event of a catastrophe.

This project began in March 2007, and is scheduled for completion and implementation by the end of May 2007.