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Washington Department of Revenue Property Tax Division

2020 Garfield County Levy Audit A Summary Report



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Overview

Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Garfield County Assessor (Assessor) in their processes and procedures to ensure compliance with state statutes and regulations.

Method of Calculation

The Department calculated the levy limitations and levy rate for several of the taxing districts for the 2020 tax year. To determine whether an error occurred, the Department compared the amount levied for the district with the lesser of the levy limit, the statutory rate limit, the amount authorized by each district's resolution, and the levy amount certified by the district.

Information Reviewed

The Department used the following information during the review:

- Resolutions/Ordinances adopted by the districts
- Levy certification from the county legislative authority (RCW 84.52.070)
- Tax roll certification to the county treasurer and abstract of the tax roll to the county auditor
- Ballot measures
- Levy limit worksheets
- \$5.90 aggregate and 1 percent constitutional limits

We do not review every taxing district's levy. We audited approximately 40 percent of the taxing districts. The scope of the audit did not include the review of earmarked funds.

Taxing Districts Selected

The Department reviewed the following taxing district levies:

- City of Pomeroy
- Fire District No. 1
- Hospital District No. 1
- Pomeroy School District

Executive Summary

Introduction

The primary purpose of a levy audit by the Department is to assist the county assessor in successfully performing the duties associated with levying property taxes for the districts within the county.

An effective audit of levy calculations consists of gathering information from the assessor's office to determine the level of compliance with laws and rules, the accuracy of levy calculations, and the effectiveness of record keeping.

Categories of Results

The Department has completed its review and grouped the results into two categories:

- The first category, *Requirements*, is of the greatest urgency for effective administration by the assessor. A change is required to adhere to the law.
- The second category, *Recommendations*, requires the attention of the assessor. The Department believes the assessor could improve their performance and service to the public by making voluntary changes in procedures.

The Department bases requirements and recommendations in our reports on our review of the administrative procedures employed, existing state statutes and regulations, and areas we saw opportunities to improve processes, procedures, and communication.

Results

The Department identified three requirements and no recommendations directed toward improving the accuracy of the levy process.

We have listed a summary of these items in the Requirements and Recommendation sections.

Executive Summary, continued

Requirements

1. The Assessor is required to levy the lesser of the levy limitations.
2. The Assessor is required to review the \$5.90 and constitutional 1 percent aggregate limitations. When these limits are exceeded, the rates must be reduced or eliminated until the limitation is no longer exceeded.
3. The Assessor is required to certify the completed tax roll to the Garfield County Treasurer (Treasurer) on or before January 15 and take a receipt from the Treasurer. The Assessor is also required to provide the Garfield County Auditor (Auditor) with an abstract of the tax rolls showing the total amount of taxes collectible for each taxing district.

Requirement – Levy the lesser of the levy limitations

Requirement

The Assessor is required to levy the lesser of the levy limitations.

What the law says

With 50 percent voter approval, school districts may levy a two-year through four-year enrichment levy. (RCW 84.52.053)

The maximum amount which may be levied for any school district enrichment levy is equal to the lesser of \$2.50 per \$1,000 assessed value of property within the district or the maximum per-pupil limit. The maximum per-pupil limit is \$2,500, increased by inflation multiplied by the number of average annual full-time equivalent students enrolled in the school district in the prior school year when the school district has fewer than 40,000 annual full-time equivalent students enrolled in the prior year. If the school district has more than 40,000 annual full-time equivalent students enrolled in the prior year, the limit is \$3,000 also increased by inflation. (RCW 84.52.0531)

When a levy error has occurred, the assessor must correct the amount of the error by making appropriate adjustments to the levy for the taxing district in the succeeding year. If the error correction will cause hardship for either the district or taxpayers, the district may choose to make the adjustment on a proportional basis over a period of not more than three-consecutive years. The correction of an error cannot be made for any period more than three years preceding the year in which the error is discovered. (RCW 84.52.085)

What we found

The Garfield County Legislative Authority certified a levy amount of \$808,394 for the Pomeroy School District enrichment levy. The Office of Superintendent of Public Instruction certified a maximum per-pupil limit of \$806,060 for the Pomeroy School District. The school district's statutory maximum rate limit of \$2.50 per \$1,000 assessed value would have allowed a levy amount of \$1,359,994.

The Assessor levied the certified levy request amount of \$808,394 instead of \$806,060, the lesser of the three limitations, which is the per-pupil limit. This resulted in an overlevy of \$2,334.00.

Action needed to meet requirement

The Assessor is required to take the following action(s):

- Notify the Pomeroy School District of the overlevy error as soon as possible.
- Start the levy error correction process with the 2021 tax year.
- If the district finds correcting the full levy error in one year may cause a hardship for the district or taxpayers, the district may elect to have the correction implemented proportionately over a consecutive period of no more than three years.

- Use the current version of the Department's School District Levy Computation worksheet, REV 64 0034(U) when calculating future levy limit calculations.

Why it's important

Implementing all of the levy limitations, as directed by the Legislators, ensure the correct amount of property tax is levied by the taxing districts.

Requirement – \$5.90 and constitutional 1 percent aggregate levy limit

Requirement

The Assessor is required to review the \$5.90 and constitutional 1 percent aggregate limitations. When these limits are exceeded, the rates must be reduced or eliminated until the limitation is no longer exceeded.

What the law says

When levies imposed by taxing districts exceed the \$5.90 and constitutional 1 percent limits, levy rates must be reduced or eliminated until the limitation is no longer exceeded. (RCW 84.52.010)

What we found

The Assessor used the Department's prorationing \$5.90 and constitutional 1 percent levy limit worksheets to verify if any of the tax code areas exceeded these limitations.

The Assessor did not use the levy rates he certified to the Garfield County Treasurer for the Garfield County General levy, Garfield County Road levy, Hospital District No. 1, or City of Pomeroy when verifying the \$5.90 aggregate limit was not exceeded. He noted that they had a software reporting issue corrected following the completion of the \$5.90 and did not update the forms knowing that the levy rate changes were minor.

The use of the incorrect levy rates did not result in exceeding the aggregate limits.

Action needed to meet requirement

The Assessor is required to take the following action(s):

- Verify the aggregate limitations using the same rates certified to the Garfield County Treasurer.

Why it's important

Documentation of the levy limitations provides a clear and transparent record of the levy calculation process.

Requirement – Tax roll certification

Requirement

The Assessor is required to certify the completed tax roll to the Garfield County Treasurer (Treasurer) on or before January 15 and take a receipt from the Treasurer. The Assessor is also required to provide the Garfield County Auditor (Auditor) with an abstract of the tax rolls showing the total amount of taxes collectible for each taxing district.

What the law says

The county assessor must deliver the tax rolls to the county treasurer, on or before the fifteenth day of January, taking a receipt from the treasurer and provide an abstract of the roll to the county auditor. (RCW 84.52.080)

What we found

The Assessor timely certified the 2020 tax roll on January 15, 2020.

The Assessor did not provide the Department with a receipt from the Treasurer or a copy of the abstract of the roll to the Auditor.

Action needed to meet requirement

The Assessor is required to take the following action(s):

- Take a receipt from the Treasurer when certifying future tax rolls. This could be accomplished by having the Treasurer sign and date the certification document.
- Provide an abstract of the tax roll to the Auditor at the same time he certifies the tax roll to the Treasurer.

Why it's important

Obtaining the required receipt from the Treasurer and providing the Auditor with the abstract shows transparency.

Next Steps

Follow-up

The Department is committed to the success of the Assessor by ensuring the levies comply with state statutes and regulations.

The Department will conduct a follow-up review in March 2021. This will give the Assessor an opportunity to implement the required changes, recommended changes, and to provide information to the Department about any issues they encountered during the implementation process.

Questions

General levy information is available in the Department's *Property Tax Levies Operating Manual*, available on our website.

For questions about specific requirements or recommendations in our report, please contact the Property Tax Division at (360) 534-1400.

For additional information contact:

Washington State Department of Revenue
Property Tax Division
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Appendix A

The following worksheet contains levy calculations for the district with errors in this audit.

Excess Levy Calculation: Pomeroy School District #110														
Ballot Data Type & 1st Year	Budget	Refund	Total Levy Per Budget	Per Pupil Limit	\$2.50 Max. Limit	Lesser Levy Limit	Real & Personal Taxable Value	TAV	Total Value	Levy Rate	Total County AV x Rate	County Levy Rate	County Levy	Over/Under
Bond	600,000.00	0.00	600,000.00	n/a	n/a	600,000.00	543,888,351	218,831	544,107,182	1.102723911481	600,000.00	1.098647086061	600,000.00	0.00
Enrichment	808,394.00	0.00	808,394.00	806,060.00	1,359,994.42	806,060.00	543,888,351	109,416	543,997,767	1.481734023367	806,060.00	1.480529474455	808,394.00	2,334.00