

P.O. Box 47471
Olympia, WA 98504-7471

Washington Department of Revenue Property Tax Division

2021 Adams County Levy Audit A Summary Report



Table of Contents

Overview	3
Executive Summary	4
Requirement – Certified Tax roll	6
Requirement – Statutory maximum levy limitation	8
Requirement - Town of Washtucna	10
Requirement - City of Ritzville.....	11
Requirement – 1 Percent constitutional limit	12
Requirement – Hospital No. 3 Emergency Medical Services	13
Recommendation – Certification of levy request amounts	14
Recommendation – Levy limitations worksheet	15
Next Steps	16

Overview

Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Adams 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 2021 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/Towns: Othello, Ritzville, and Washtucna
- Fire Districts: No. 1, No. 2, No. 3, No. 4, No. 6, and No. 7
- Hospital Districts: No. 2 and No. 3
- Cemetery Districts: No. 1 and No. 3
- Othello Library District
- Port of Othello
- Othello Park and Recreation 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 six requirements and two 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 calculate the levy rates and certify the completed tax roll to the Adams County Treasurer (Treasurer) on or before January 15. When the tax roll does not balance with the levy limit calculations, the Assessor must retain records demonstrating cancelations and supplements that occurred between the time period the levy limit calculations were completed and the tax roll was certified.
2. The Assessor is required to use the statutory maximum levy rate mandated by statute when calculating the statutory maximum dollar amount a taxing district may levy.

The Assessor is required to calculate the statutory maximum rate limitation for each regular levy. To do this for cities or towns annexed to a fire and or library district, the Assessor must deduct the actual rate levied by the fire and or library district from \$3.60. If the city or town has a fire fighters' pension fund, an additional \$0.225 is added to the previous calculation.

3. The Assessor is required to calculate the levy limit by applying the previous year's levy rate, to the new construction assessed value for a taxing district. If the prior year's levy rate included a levy error or levy error correction the rate without the error or correction is used.
4. The Assessor is required to determine each taxing district's levy limit based on the district's highest lawful levy since 1985 for collection in 1986.
5. The Assessor is required to determine whether the total of all tax levies, except port and public utility district levies, applied to real and personal property within the county exceeds one percent of the true and fair market value.
6. The Assessor is required to use the levy amount certified by the Adams County Legislative Authority when determining the lesser of the levy limitations.

Recommendations

1. The Department recommends the Assessor provide education to the county legislative authority regarding the certification of levy amounts for each taxing district within the county wishing to levy property tax.
2. The Department recommends the Assessor use the Department's most current version of the levy limitations worksheet.

Requirement – Certified Tax roll

Requirement

The Assessor is required to calculate the levy rates and certify the completed tax roll to the Adams County Treasurer (Treasurer) on or before January 15. When the tax roll does not balance with the levy limit calculations, the Assessor must retain records demonstrating cancellations and supplements that occurred between the time period the levy limit calculations were completed and the tax roll was certified.

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. The assessor must also supply the county auditor with an abstract of the tax roll showing the total amount of tax collection for each taxing district (RCW 84.52.080).

What we found

The Assessor certified the extension of the tax roll to the Treasurer on January 29, 2021, after the January 15 deadline. The certification did not include verification of receipt by the Treasurer.

With the exception of one district, the assessed values in the Assessor's certification of the tax roll to the Treasurer do not balance with the assessed values used for the calculation of the levy limitations, thus the amount of taxes in the tax roll do not balance with the levy calculations. The difference between the tax roll amounts and levy limit calculations are between \$1 and \$638, with the exception of one district's difference of \$2,899.

The Assessor provided the Department with a Parcel Value Audit report demonstrating assessed values were changed between the time period of December 14, 2020, and January 21, 2021, the time period in which the levy limitations were verified and the tax roll was certified to the Treasurer. This report reflects the change in taxable value, per parcel, the date of the change, and which employee made the change. The Assessor was not able to balance these supplements and cancellations of value with the levy process and tax roll.

Action needed to meet requirement

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

- Certify the completed tax roll to the Treasurer on or before January 15 and obtain acknowledgement of receipt from the Treasurer.
- Freeze values and verify accuracy of the levy data before beginning the levy calculation process. Do not begin making value changes until the levy process is complete.
- Balance the levy calculations with the tax roll before making any changes to the taxable value. If the levy calculations do not balance with the tax roll, the Assessor must identify and correct the issue.
- When the levy calculations are complete, generate and save all reports and corresponding supporting data documenting the levy process.

Requirement – Certified Tax roll, continued

Why it's important

State law directs the county assessor to formally certify the tax roll to the county treasurer, with a receipt taken from the county treasurer. The use of this format enhances the transparency of levying property tax. Using accurate data to calculate the levy limitations ensures the taxing districts collect and taxpayers pay the correct amount of property tax.

Requirement – Statutory maximum levy limitation

Requirement

The Assessor is required to use the statutory maximum levy rate mandated by statute when calculating the statutory maximum dollar amount a taxing district may levy.

The Assessor is required to calculate the statutory maximum rate limitation for each regular levy. To do this for cities or towns annexed to a fire and or library district, the Assessor must deduct the actual rate levied by the fire and or library district from \$3.60. If the city or town has a fire fighters’ pension fund, an additional \$0.225 is added to the previous calculation.

What the law says

To carry out the purposes for which fire protection districts are created, the board of fire commissioners of a district may levy each year an ad valorem tax on all taxable property located in the district not to exceed three levies of fifty cents each per thousand dollars of assessed value (RCW’s 52.16.130, 52.16.140, and 52.16.160).

When a city or town is annexed to a fire and or library district, the city or town’s statutory maximum levy rate is \$3.60 per thousand dollars assessed value, less the actual levy rate of the fire and or library district for that particular year, plus an additional \$0.225 per thousand dollars assessed value if the city or town has a fire fighters’ pension fund (RCW’s 52.04.081, 41.16.06, and 27.12.390).

What we found

The Assessor did not use the correct statutory maximum levy rates for the following fire districts:

Taxing District	Statutory Maximum Rate Applied in the Levy Rate Calculation	Statutory Maximum Rate
Fire District No. 1	\$1.00	\$1.50
Fire District No. 2	\$1.00	\$1.50
Fire District No. 3	\$1.00	\$1.50
Fire District No. 4	\$1.00	\$1.50
Fire District No. 6	\$1.00	\$1.50
Fire District No. 7	\$1.00	\$1.50

The use of an incorrect statutory maximum rate for the fire districts did not cause an underlevy as the district’s levies were not limited by this levy limitation.

Requirement – Statutory maximum levy limitation, continued

The Assessor calculated the statutory maximum dollar amount for the City of Othello (CO), using an incorrect levy rate of \$3.13510673. The CO is annexed to Library District No. 1 (Library 1). The statutory maximum levy rate for the CO is calculated by subtracting the 2021 levy rate for Library 1 (\$.4259985) from \$3.60. The correct statutory maximum rate is \$3.1740015. The use of an incorrect statutory maximum rate did not cause an underlevy as the district's levy was limited by the district's certified levy request amount.

Action needed to meet requirement

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

- Use the correct statutory maximum levy rate to calculate the statutory dollar amount limitation, for a taxing district. The *Property Tax Levies Operations Manual* available on the Department's website (dor.wa.gov) lists the statutory maximum rates for taxing districts and the corresponding RCW's.
- Calculate the statutory maximum rate each year for the cities and towns annexed to a library and or fire district, beginning with the \$3.60 statutory maximum rate allowed, then deduct the actual rate of the annexed library district and or fire district. Add an additional \$.225 to the statutory maximum rate if the city has a fire fighters' pension fund.

Why it's important

To ensure the taxing districts do not levy more or less than their maximum levy amount allowed by law and taxpayers pay the correct amount of property tax.

Requirement - Town of Washtucna

Requirement

The Assessor is required to calculate the levy limit by applying the previous year's levy rate, to the new construction assessed value for a taxing district. If the prior year's levy rate included a levy error or levy error correction the rate without the error or correction is used.

What the law says

The highest lawful levy since 1985 can be increased by the district's levy limit factor and additional funds for increases due to new construction, increases in assessed value due to construction of wind turbines, solar, biomass, and geothermal facilities, increases in state assessed utility values, and improvements to property (RCW's 84.55.010 and 84.55.092).

What we found

The Assessor did not use the new construction assessed value as reported in the Subfund Composite Report, dated December 14, 2020, when calculating the Town of Washtucna (TW) levy limit and resolution limit for the 2021 tax year. The Assessor used a new construction assessed value of \$5,100 instead of \$27,622 as referenced in the report.

The incorrect new construction assessed value resulted in an incorrect calculation of the highest lawful levy for the 2021 tax year. Carrying forward an incorrect highest lawful levy amount may cause levy errors in succeeding years.

Action needed to meet requirement

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

- Calculate the levy limit using the correct new construction assessed value for a taxing district.
- Use the correct highest lawful levy amount, of \$25,414.77, to calculate the TW levy limit for the 2022 tax year.

Why it's important

To ensure taxing districts do not levy more or less than their maximum levy amount allowable by law and the taxpayers pay the correct amount of property tax.

Requirement - City of Ritzville

Requirement

The Assessor is required to determine each taxing district's levy limit based on the district's highest lawful levy since 1985 for collection in 1986.

What the law says

The highest lawful levy since 1985 can be increased by the appropriate limit factor and additional funds for increases due to new construction, increases in assessed value due to construction of wind turbines, solar, biomass, and geothermal facilities, increases in state assessed utility values, and improvements to property (RCW's 84.55.010 and 84.55.092).

What we found

The Assessor did not use the highest lawful levy amount since 1985 to calculate the City of Ritzville (CR) levy limit, for the 2021 tax year. The highest lawful levy amount used was \$342,539, the correct amount is \$341,646.

The use of an incorrect highest lawful levy amount resulted in an incorrect calculation of the highest lawful levy for the 2021 tax year. Carrying forward an incorrect highest lawful levy amount may cause levy errors in succeeding years.

The Assessor provided the Department with Ordinance No. 2138 and Ordinance No. 2141 from the CR, documenting the annexation of parcels to the city but was unable to provide documentation of the assessed values for the annexed parcels.

Action needed to meet requirement

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

- Calculate the levy limit for a taxing district using the highest lawful levy since 1985.
- Use the correct highest lawful levy amount, of \$348,119.30, to calculate the levy limit for the 2022 tax year.
- Retain records, for each year, listing the assessed value of parcels included in annexations to taxing districts.

Why it's important

To ensure the taxing districts do not levy more or less than their maximum levy amount allowed by law and the taxpayers pay the correct amount of property tax.

Requirement – 1 Percent constitutional limit

Requirement

The Assessor is required to determine whether the total of all tax levies, except port and public utility district levies, applied to real and personal property within the county exceeds one percent of the true and fair market value.

What the law says

The aggregate of all regular tax levies, with the exception of levies made by port and public utility districts, upon real and personal property by the state and all taxing districts shall not exceed one percent of the true and fair value of such property (RCW 84.52.050).

What we found

The Assessor did not include Part 2 of the State School Levy in every tax code area when verifying the 1 percent constitutional limit, for the 2021 tax year. It was only included in the verification of tax code area one. It appears to the Department this may be due to an incorrect formula within the spreadsheet used for the limit verification.

The exclusion of Part 2 from the remaining tax code areas did not result in any tax code area exceeding the 1 percent constitutional limit.

Action needed to meet requirement

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

- Include Part 1 and Part 2 of the State School Levy in all tax code areas verified in the 1 percent constitutional levy limit.

Why it's important

To ensure a taxing district is not levying more or less than their maximum levy amount allowable by law and the taxpayers pay the correct amount of property tax.

Requirement – Hospital No. 3 Emergency Medical Services

Requirement

The Assessor is required to use the levy amount certified by the Adams County Legislative Authority when determining the lesser of the levy limitations.

What the law says

For the 2021 tax year and prior tax years, county legislative authorities were required to certify the amount to be levied for most taxing districts, including the county, to the county assessor on or before November 30 of each year. When the certification is made after November 30 and the assessor has certified the assessed values to the taxing districts at least 12 business days before November 30, the assessor may not levy any more than the certified levy amount for the previous year for the taxing district (RCW 84.52.070).

As stated in *State v. Wiley, supra, at p. 647*:

“The duties of respondent in relation to the matters in question are ministerial, and, if the facts upon which he is to act were properly certified to him from a tribunal with jurisdiction in the premises, that order constitutes his warrant and he is bound to proceed under it. His only concern is to know whether ‘his warrant proceeds from competent authority,’ and, if so, fulfill it as he is commanded.”

What we found

When verifying the levy limitations, the Assessor used \$600,000 as the district’s certified levy request amount, instead of \$650,000 as certified by the Adams County Legislative Authority.

The use of an incorrect certified levy request amount did not result in an underlevy as the lesser of the levy limitations was not the certified levy request.

Action needed to meet requirement

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

- Use the levy amounts certified by the Adams County Legislative Authority to determine the lesser of the levy limitations.

Why it’s important

To ensure taxing districts do not levy more or less than their maximum levy amount allowable by law and the taxpayers pay the correct amount of property tax.

Recommendation – Certification of levy request amounts

Recommendation

The Department recommends the Assessor provide education to the Adams County Legislative Authority regarding the certification of levy amounts for each taxing district within the county wishing to levy property tax.

What we found

The Adams County Legislative Authority certified the levy requests to the Assessor after the November 30, 2021, deadline.

It is unclear to the Department, why the county legislative authority did not certify the levy amounts for the taxing districts to the Assessor timely. The Assessor provided the Department with timely levy certifications to the Adams County Legislative Authority by the taxing districts (RCW's 84.52.020).

Action recommended

The Department recommends the Assessor:

- Provide education to the Adams County Legislative Authority regarding the certification of levies process. Starting with the 2022 tax year levy process, the certification dates have changed to December 15 for taxes levied on property for county purposes and the first Monday in December for taxes levied on property for taxing district within or coextensive with the county, for district purposes.

Why it's important

Statutory deadlines exist to provide a timely, orderly process for property taxation. When the levy requests are not certified to the county assessor timely, it could result in a taxing district being limited to the levy amount certified on their behalf from the prior levy year. This limitation may cause a loss of funds for the taxing districts. It also puts the Assessor at risk of not meeting their statutory deadline to certify the tax roll to the county treasurer on or before January 15. When the January 15 deadline is missed it results in delay of receipt of property taxes from the taxpayers and distribution of taxes to the taxing districts.

Recommendation – Levy limitations worksheet

Recommendation

The Department recommends the Assessor use the Department’s most current version of the levy limitations worksheet.

What we found

The Assessor did not use the most current version of the Department’s levy limitation worksheet to calculate the levy limitations, for the 2021 tax year. At the time of this audit, the current version of the form was dated October 4, 2019. The form used to calculate the levy limitations for the 2021 tax year was dated July 19, 2014.

Action recommended

The Department recommends the Assessor:

- Calculate the levy limitations for each taxing district using the most current version of the Department’s levy limitations worksheet (REV 64 0007), available on our website (dor.wa.gov). The current version automatically calculates the levy limitations included on the form, reducing the chance of arithmetic errors.

Why it’s important

Using the current version of the levy limitations worksheet helps to decrease errors in the calculation of the levy limitations.

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 February 2022. 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
PO Box 47471
Olympia, WA 98504-7471
(360) 534-1400
<http://dor.wa.gov>