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# Washington Department of Revenue Property Tax Division

## 2022 Grant County Levy Audit A Summary Report



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# Overview

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## Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Grant 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 2022 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:

- Grant County General
- City/Towns: Ephrata, George, Grand Coulee, and Soap Lake
- Fire Districts: No. 4, No. 6, No. 10, No. 12, No. 14, and No. 15
- Hospital Districts: No. 1, No. 2, No. 3, and No. 4
- Cemetery Districts: No. 2, No. 3, and No. 4
- North Central Regional Library District
- Port Districts: No. 1, No. 5, and No. 7
- School Districts: No. 73 Wahluke, No. 160 Royal City, No. 161 Moses Lake, No. 165 Ephrata, and No. 166 Odessa

# Executive Summary

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## 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 five 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

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### Requirements

1. The Assessor is required to certify both locally and state assessed values to the taxing districts once the certified state assessed utility values are received from the Department.
2. The Assessor is required to determine each taxing district's levy limit based on the district's highest lawful levy increased by the levy limit factor and any increases due to new construction, increases in assessed value due to construction of wind turbines, solar, biomass, and geothermal facilities, increases in state assessed property values, and improvements to property.
3. The Assessor is required to verify that none of the tax code areas within the county exceed the \$5.90 aggregate limit.
4. The Assessor is required to determine whether the total of all regular tax levies, with the exception of levies made by port and public utility districts, applied to real and personal property within the county exceeds one percent of the true and fair market value.
5. The Assessor is required to determine a district's levy limit in the first year after a merge using the merging districts highest lawful levy amounts from the three most recent years.

## Requirement – Certification of assessed values to taxing districts

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### Requirement

The Assessor is required to certify both locally and state assessed values to the taxing districts once the certified state assessed utility values are received from the Department.

### What the law says

It is the duty of the assessor of each county, after receiving the certificate of assessed value for state assessed property from the Department, to apportion and apply that value to the county tax roll. When the tax roll is complete, it is the assessor's duty to certify the total assessed value of property in the county as shown by the completed tax rolls to the officers authorized by law to estimate expenditures and/or levy taxes for each taxing district in the county the total assessed value of the property in such taxing district (RCW 84.48.130).

### What we found

The Assessor did not certify the locally assessed values and state assessed utility values to the taxing districts timely, for the 2022 tax year. The Department certified state assessed utility values to the Assessor on November 10, 2021. The Assessor certified total assessed values to the taxing districts on January 24, 2022, after calculation of the levy rates.

### Action needed to meet requirement

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

- Certify the total assessed values, including both locally assessed values and state assessed utility values, to the taxing districts once you have received the certified state assessed utility values from the Department. This can be accomplished with the Fund Composite Report and a cover letter certifying the values as of the date of the report was generated.

### Why it's important

Timely certification of assessed values to the taxing districts will assist the taxing districts with their budget process.

## Requirement – Previous year’s levy rate

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### Requirement

The Assessor is required to determine each taxing district’s levy limit based on the district’s highest lawful levy increased by the levy limit factor and any increases due to new construction, increases in assessed value due to construction of wind turbines, solar, biomass, and geothermal facilities, increases in state assessed property values, and improvements to property.

### 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 property values, and improvements to property. (RCW 84.55.010 and 84.55.092)

If an error has occurred in the levy of property taxes that has caused all taxpayers within a taxing district, other than the state, to pay an incorrect amount of property tax, the assessor shall correct the error by making an appropriate adjustment to the levy for that taxing district in the succeeding year. The adjustment shall be made without including any interest. If the governing authority of the taxing district determines that the amount of the adjustment in the succeeding year is so large as to cause a hardship for the taxing district or the taxpayers within the district, the adjustment may be made on a proportional basis over a period of not more than three consecutive years. (RCW 84.52.085)

When the prior year’s levy rate includes a levy error or levy error correction, the additional revenue for new construction, increases in assessed value due to construction of wind turbines, solar, biomass, and geothermal facilities, increases in state assessed property values, and improvements to property is calculated using the rate that would have been used if the levy error or levy error correction had not occurred. (WAC 458-19-005(2)(m)(iii))

### What we found

The Assessor made a levy error correction for the Grant County General levy, for the 2021 tax year. The Assessor carried forward the rate with the levy error correction, instead of the rate as if the error had never occurred, \$1.5038827905 when calculating the levy limitations for the 2022 tax year.

This resulted in an underlevy error of \$215.94.

## Requirement – Previous year’s levy rate, continued

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### Action needed to meet requirement

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

- When making a levy error correction, use the rate as if the correction had not occurred to calculate the levy limitations for the succeeding year.
- Notify the district of the levy error. If the correction in the succeeding year will cause a hardship for either the taxing district or taxpayers, the district may request the correction be made on a proportional basis over a period of no more than three years. When there is an underlevy error, the Department interprets the statutes to give the taxing district the option of adjusting the following year’s levy by the underlevy amount.
- Use the correct highest lawful levy amount and levy rate, provided in Appendix A, to calculate the levy limitations for the 2023 tax year.

### Why it’s important

The Assessor must determine the levy limit as required by statute to provide fair and equitable taxation for taxing districts and taxpayers.



## Requirement – \$5.90 aggregate limit

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### Requirement

The Assessor is required to verify that none of the tax code areas within the county exceed the \$5.90 aggregate limit.

### What the law says

The aggregate of regular levies for junior taxing districts and senior taxing districts may not exceed \$5.90 per thousand dollars of assessed valuation. There are some exceptions to this limit, including but not limited to, levies for emergency medical care or emergency medical services imposed under RCW 84.52.069. (RCW 84.52.043)

### What we found

The Assessor included the Fire District No. 10 Emergency Medical Services (10 EMS) levy rate in the \$5.90 aggregate limit verification for the 2022 tax year. Emergency medical services levies are not subject to the \$5.90 aggregate limit.

This did not cause any tax code area to exceed the \$5.90 aggregate limit.

### Action needed to meet requirement

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

- Do not include emergency medical services levies in the \$5.90 aggregate limit verification.

### 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 - 1 Percent constitutional limit

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### Requirement

The Assessor is required to determine whether the total of all regular tax levies, with the exception of levies made by port and public utility districts, 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 the Hospital District No. 2 (HD2) General Levy in the 1 percent constitutional limit verification, for the 2022 tax year.

The Assessor included bond levies for Coulee City (CC), City of Ephrata (CE), Hospital District No. 3 (HD3), and Cemetery District No. 2 (CD2) in the 1 percent constitutional levy limit verification for the 2022 tax year. Because bonds are excess levies, they are not included in this limit.

This did not cause any tax code area to exceed the 1 percent constitutional limit.

### Action needed to meet requirement

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

- Include the HD2 General Levy when verifying the 1 percent constitutional limit for succeeding years.
- Include all regular levies in the 1 percent constitutional limit verification, with the exception of port districts and public utility districts.
- Do not include the bond levies for CC, CE, HD3, and CD2 when verifying the 1 percent constitutional limit in succeeding years.

### 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 - Fire District No. 10 Emergency Medical Services (10EMS)

### Requirement

The Assessor is required to determine a district's levy limit in the first year after a merge using the merging districts highest lawful levy amounts from the three most recent years.

### What the law says

The first levy for a consolidated taxing district created from similar taxing districts must not exceed the sum of the product of the limit factor multiplied by the highest amount of regular property taxes lawfully levied by each of the component districts during the three most recent years in which taxes were levied; plus the sum of each of the amounts calculated by multiplying the regular property tax levy rate of each of the component districts for the preceding year by the increase in assessed value in each component district resulting from new construction, improvements to property, state assessed property, and construction of wind turbine, solar, biomass, and geothermal facilities. (RCW 84.55.020 and WAC 458-19-030)

### What we found

Fire District No. 10 (FD10) and Fire District No. 11 (FD11) merged, effective for the 2021 tax year. The Assessor used an incorrect highest lawful levy amount, of \$401,668.96, to calculate the 10EMS levy limit for the 2022 tax year. The correct highest lawful levy amount is \$408,384.49.

It appears the Assessor determined the 10EMS highest lawful levy amount, for the 2022 tax year, by combining the 2021 tax year statutory maximum limit of \$233,421.05 for FD10 and the 2021 tax year levy limit of \$168,247.91 for FD11. This represents the maximum levy amount for the 2021 tax year, not the highest lawful levy since 1985.

The correct method for determining the 10EMS highest lawful levy amount for the 2021 tax year, the year of the consolidation, is as follows:

- Calculate the FD10 and FD11 levy limits based on the highest regular property tax lawfully levied in each district of the three most recent years (2018, 2019, or 2020 tax years), then add them together.
- Calculate the FD10 and FD11 statutory maximum limits, for 2021 tax year, then add them together.
- Compare the combined levy limit and statutory maximum limit to determine the maximum levy amount for the 2021 tax year and highest lawful levy to carry forward to the 2022 tax year calculations.

Taxing District	2021 Levy Limit	2021 Statutory Maximum Limit	2021 Maximum Levy	2022 Highest Lawful Levy Since 1985
FD10 EMS	\$240,136.58	\$233,421.05		
FD11 EMS	\$168,247.91	\$168,347.65		
<b>Total</b>	<b>\$408,384.49</b>	<b>\$401,768.70</b>	<b>\$401,768.70</b>	<b>\$408,384.49</b>

## **Requirement - Fire District No. 10 Emergency Medical Services (10EMS), continued**

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### **Action needed to meet requirement**

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

- When there is a merger of taxing districts, determine the highest lawful levy amount for the merged district using the following steps:
  - Calculate the levy limit for each taxing district included in the merge. Then combine each district's levy limit to determine the merged district's levy limit.
  - Calculate the statutory maximum limit for each taxing district included in the merge. Then combine each district's statutory maximum limit to determine the merged district's statutory maximum limit.
  - Compare the combined levy limit and the combined statutory maximum limit to determine the merged district's highest lawful levy amount since 1985.
- Use the highest lawful levy amount, provided in Appendix B, to calculate the 10EMS levy limit for the 2023 tax year.

### **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.

## Next Steps

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### 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 2023. 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  
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PO Box 47471  
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<http://dor.wa.gov>

# Appendix A

The following worksheets contain regular levy calculations for the districts with errors in this audit.

Levy Limit Calculation for District: Grant County General												
Assmt Taxes	Highest	Limit	Highest	State Assd	Tax Added	Annexed	Tax Added	Levy	Assd	Stat	<input type="checkbox"/>	Annexed to Library?
Year Due	Lawful Levy	Factor	Lawful plus	New Const	for	Value	for	Limit	Value	Rate	<input type="checkbox"/>	Annexed to Fire?
	Since 1985*		Increase		State Assd		Annex.			Max.	<input type="checkbox"/>	Firemen's Pension?
					New Const						<input type="checkbox"/>	Lid Lift?
2021 2022	20,281,374.10	101.00000%	20,484,187.84	309,325,175	465,188.81	0	0.00	20,949,376.65	15,622,693,091	1.800000000000		
Actual Levy:									Summary of Levy Limits:			
Assmt Taxes	Previous	Lesser of	Previous Yr's	Tax Added	Tax Added	Authorized	Refund	Certified	Limit Per	Levy Limit	Authorized	
Year Due	Year's	Resolution's \$ or %	Levy plus	for	for	Levy by Res.		Budget	Stat. Rate	Plus Refund	Levy By Res.	
	Levy		Increase	State Assd	Annex.				Maximum		Plus Refund	
				New Const								
2021 2022	20,203,930.65	\$0.00	20,203,930.65	465,188.81	0.00	20,669,119.46	0.00	21,000,000.00	28,120,847.56	20,949,376.65	20,669,119.46	
Assmt Taxes	Current Year's	Levy Correction	Total Levy	Actual	Actual Levy	Correct	Over/Under		New Highest	Levy Rate		
Year Due	Max Levy		w/ Correction	Amount	Rate	Levy Rate	Levy		Lawful Levy Since	Without Levy		
				Levied					1985	Error or Levy	Error Correction	
2020 2021					1.5038827905							
2021 2022	20,669,119.46	0.00	20,669,119.46	20,668,903.52	1.3230051566	1.3230189788	(215.94)		20,949,376.65	1.323018978800		

# Appendix B

The following worksheets contain regular levy calculations for the districts with errors in this audit.

Levy Limit Calculation for District: Fire District No. 10 EMS												
Assmt Taxes Year Due	Highest Lawful Levy Since 1985*	Limit Factor	Highest Lawful plus Increase	State Assd New Const	Tax Added for State Assd New Const	Annexed Value	Tax Added for Annex.	Levy Limit	Assd Value	Stat Rate Max.	<input type="checkbox"/> Annexed to Library? <input type="checkbox"/> Annexed to Fire? <input type="checkbox"/> Firemen's Pension? <input type="checkbox"/> Lid Lift?	
2021 2022	408,384.49	101.00000%	412,468.33	12,675,484	6,337.74	0	0.00	418,806.07	840,473,275	0.500000000000		
Actual Levy:							Refund	Summary of Levy Limits:				
Assmt Taxes Year Due	Previous Year's Levy	Lesser of Resolution's \$ or %	Previous Yr's Levy plus Increase	Tax Added for State Assd New Const	Tax Added for Annex.	Authorized Levy by Res.	Refund	Certified Budget	Limit Per Stat. Rate Maximum	Levy Limit Plus Refund	Authorized Levy By Res. Plus Refund	
2021 2022	401,768.69	27.120%	510,728.36	6,337.74	0.00	517,066.10	10,000.00	520,735.44	420,236.63	428,806.07	527,066.10	
Assmt Taxes Year Due	Current Year's Max Levy	Levy Correction	Total Levy w/ Correction	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate	Over/Under Levy	New Highest Lawful Levy Since 1985	Levy Rate Without Levy Error or Levy Error Correction			
2020 2021					.5							
2021 2022	420,236.63	0.00	420,236.63	420,236.63	.5	.5	0.00	418,806.07	0.500000000000			