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Washington Department of Revenue Property Tax Division

2024 Stevens 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 Stevens 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 2024 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% constitutional limits.

We do not review every taxing district levy. We audited approximately 40% 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: Kettle Falls, Marcus, Springdale, and Northport.
- Fire Districts: No. 1, No. 4, No. 8, and No. 10.
- School districts: No. 205 Evergreen, No. 183 Loon Lake, No. 207 Mary Walker, No. 30 Onion Creek, and No. 49 Wellpinit.
- Other districts: Stevens County, Stevens County Road, and Upper Columbia Park and Recreation.

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 two requirements and one recommendation 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 increase the levy's highest lawful levy since 1985 due to new construction, increase assessed values due to certain green energy projects, state assessed property, and improvements to property.
2. The Assessor is required to calculate the levy limitations and a levy rate for each taxing district's levy using the assessed value of property within the district.

Recommendation

1. The Department recommends the Assessor provide additional property tax education to the Upper Columbia Parks and Recreation district.

Requirement No. 1 – Fire District No. 1

Requirement

The Assessor is required to increase the levy's highest lawful levy since 1985 due to new construction, increases in assessed values due to certain green energy projects, state assessed property, and improvements to property.

What the law says

The highest lawful levy since 1985 is 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).

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 must correct the error by making an appropriate adjustment to the levy for that taxing district in the succeeding year. The adjustment must be made without including any interest. If the governing authority of the taxing district determines if 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

Fire District No. 1 voters approved a ballot proposition authorizing a permanent, multi-year levy lid lift starting with the 2022 tax year. The voters approved a levy rate of \$1.40 per \$1,000 assessed value for the 2022 tax year and a limit factor of 100% plus the percentage change in the consumer price index as described in their resolution.

For the 2024 tax year, the fire district adopted Resolution 2023-4, which authorized an increase over their prior year's regular levy in the amount of \$227,681.16 or 7.8393%. The Department has interpreted the statutes to not require a taxing district to adopt this resolution when the voters have approved a levy lid lift. The voter approved levy lid lift takes the place of the public statement authorizing an increase over the prior year's levy. Since the fire district did adopt this document, it must be included in the Assessor's review of the levy limitations to determine the lesser amount to be levied.

The Assessor did not include the additional revenue capacity due to new construction in their levy limit calculations. Nor did the Assessor calculate the levy limitation based on the dollar increase/percentage of change as authorized by the taxing district in Resolution 2023-4. This resulted in an underlevy of \$47,485.31.

See Appendix A for complete levy limit calculations.

Actions needed to meet requirement

The Assessor is required to take the following actions:

- Notify the taxing district of the underlevy error. 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. 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.
- Begin the levy error correction with the 2024 levy limit calculations for the 2025 tax year. When calculating the district's levy capacity due to new construction, etc., use the levy rate that would have been certified if the error had not occurred in the prior year, \$1.178148 per \$1,000 assessed value.
- Use the actual amount levied from the 2024 tax year \$3,020,769.07, in the levy calculations for the 2025 tax year when calculating the taxing district's authorized increase over the prior year's levy, assuming the district continues to adopt such a resolution during the years of the lid lift. This amount includes the levy error.
- Use the levy's highest lawful levy of \$3,102,927.16 when calculating the 2025 tax year levy limit.
- Due to the timing of the final audit report, if the Assessor does not have time to coordinate the underlevy error correction with the taxing district, implement the levy increase during the 2025 levy calculations for the 2026 tax year.

Why it's important

By calculating the levy limitations as required by law and levying the lesser of those limitations, it will ensure the assessor is not levying more or less than statutes allow on behalf of the taxing district and taxpayers pay the correct amount of property taxes.

Requirement No. 2 – Fire District No. 4

Requirement

The Assessor is required to calculate the levy limitations and a levy rate for each taxing district's levy using the assessed value of property within the district.

What the law says

When a taxing district levies a tax, the assessed value of the property of the district is considered the taxable value used to calculate the levy limits and levy rate (RCW 84.52.040).

What we found

The voters in Fire District No. 4 approved a single-year, permanent levy lid lift for the 2024 tax year. The voter approved rate for the 2024 tax year is \$1.00 per \$1,000 assessed value.

The taxable value, used by the Assessor in their levy limit calculations, does not balance with the taxable value from the signed tax roll to the Stevens County Treasurer. The Assessor's levy limit calculations used a taxable value of \$543,797,047. The certified tax roll to the county treasurer reflects a value of \$479,711,931.

The lesser of the limitations for this levy is the district's certified request amount of \$470,113.84. The certified tax roll indicates \$414,573.29 was levied, resulting in an underlevy of \$55,504.55.

See Appendix B for complete levy limit calculations.

Actions needed to meet requirement

The Assessor is required to take the following actions:

- Notify the taxing district of the underlevy error. 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. 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.
- Begin the levy error correction with the 2024 levy limit calculations for the 2025 tax year. When calculating the district's levy capacity due to new construction, etc., use the levy rate that would have been certified if the error had not occurred in the prior year, \$0.979991 per \$1,000 assessed value.

- Use the actual amount levied from the 2024 tax year \$414,573.29, in the levy calculations for the 2025 tax year when calculating the taxing district's authorized increase over the prior year's levy, assuming the district continues to adopt such a resolution during the years of the lid lift. This amount includes the levy error.
- Use the levy's highest lawful levy of \$479,711.93 when calculating the 2025 tax year levy limit.
- Due to the timing of the final audit report, if the Assessor does not have time to coordinate the underlevy error correction with the taxing district, implement the levy increase during the 2025 levy calculations for the 2026 tax year.

Why it's important

Accuracy in the calculation of the levy limitations ensures taxing districts do not levy more or less than their maximum levy amount and the taxpayers pay the correct amount of property tax allowable by law.

Recommendation No. 1 – Provide education to the Upper Columbia Park and Recreation District

Recommendation

The Department recommends the Assessor provide additional property tax education to the Upper Columbia Park and Recreation District.

What we found

The taxing district requested the voters to approve a six-year *excess levy*, starting with the 2024 tax year with a maximum levy rate of \$0.23 per \$1,000 in the February 2023 election. The proposition received 75.90% yes votes and 24.10% no votes.

A park and recreation taxing district does not have statutory authority to implement a six-year *excess levy*. However, they do have statutory authority to levy a 6-year regular levy, with voter approval.

The Assessor calculated the levy limits and levy rate using the taxable value of the district for a regular levy rather than an *excess levy*.

Action recommended

The Department recommends the Assessor:

- Provide additional education to the district regarding the ballot proposition requirements in RCW 29A.36.210. The ballot proposition must contain in substance the following statement:

“Will the (insert name of district) be authorized to impose *regular property tax levies* of (insert the maximum rate limit) or less per thousand dollars assessed valuation for each of (insert the maximum number years of the levy) consecutive years?”

Why it’s important

Correct language in the ballot proposition ensures the voters understand what they are being requested to approve. Taxpayers who meet certain income and age requirements or disability requirements are not subject to paying *excess levies*, while they may remain subject to paying regular property tax levies. Incorrect statements in the ballot proposition could impact the voter’s decision to approve or reject the proposition.

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 2025. This will give the Assessor an opportunity to implement the required and recommended changes and 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 us at:

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Appendix A

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

Levy Limit Calculation for District: Fire 1											
Assmt/Taxes Year Due	Highest Lawful Levy Since 1985*	Limit Factor	Highest Lawful plus Increase	State Assd, NC & Increment Value	Tax Added for State Assd., NC, & Increment Value	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?
2023 2024	2,904,388.51	104.90000%	3,046,703.55	44,824,617	56,223.61	0	0.00	3,102,927.16	2,604,302,097	1.500000000000	
Actual Levy:							Summary of Levy Limits:				
Assmt/Taxes Year Due	Previous Year's Levy	Lesser of Resolution's \$ or % Increase	Previous Yr's Levy plus Increase	Tax Added for State Assd., NC, & Increment	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
2023 2024	2,792,883.36	7.839%	3,011,825.87	56,223.61	0.00	3,068,049.48	204.90	3,184,774.58	3,906,453.15	3,103,132.06	3,068,254.38
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		
2022 2023					1.254302						
2023 2024	3,068,254.38	0.00	3,068,254.38	3,020,769.07	1.159915	1.178148	(47,485.31)	3,102,927.16	1.178148000000		
Excess Levy Calculation:											
Type & Yr	Budget	Refund	Total Levy	Real & Personal Taxable Value	TAV	Total Value	DOR Levy Rate	Total County AV x DOR Rate	County Levy Rate	County Levy	Over/Under Levy
Bond 0	498,242.00	0.00	498,242.00	2,578,177,584	14,070,180	2,592,247,764	.192204	498,240.39	0.192204000000	498,240.39	0.00

Appendix B

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

Levy Limit Calculation for District: Fire 4 (Lid Lift)										
Assmt Taxes						Voter Approved Levy Rate		Assd Value	Stat Rate Max.	<input type="checkbox"/> Annexed to Library? <input type="checkbox"/> Annexed to Fire? <input type="checkbox"/> Firemen's Pension? <input checked="" type="checkbox"/> Lid Lift?
Year	Due									
2023	2024					\$1.000000000000		479,711,931	1.500000000000	
Actual Levy:						Refund	Certified Budget	Summary of Levy Limits:		
Year	Due							Limit Per Stat. Rate Maximum	Voter Approved Levy Amount Plus Refund	
2023	2024					113.84	470,113.84	719,567.90	479,825.77	
Assmt Taxes	Current Year's	Levy Correction	Total Levy	Actual Amount	Actual Levy	Correct	Over/Under	New Highest	Levy Rate	
Year	Due	Max Levy	w/ Correction	Levied	Rate	Levy Rate	Levy	Lawful Levy Since 1985	Without Levy Error or Levy Error Correction	
2022	2023				0					
2023	2024	470,113.84	0.00	470,113.84	414,573.29	.864213	.979991	(55,540.55)	479,711.93	0.979991000000