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# Washington Department of Revenue Property Tax Division

## 2020 Jefferson 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 Jefferson 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 Port Townsend
- Fire Districts: 1, 4, and 9
- Hospital District No. 2
- Cemetery Districts: 2 and 3
- PUD No. 1
- School Districts: Chimacum No. 49 and Port Townsend No. 50
- Port of Port Townsend
- Coyle Park District No. 1

# 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 one requirement 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

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### **Requirements**

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

### **Recommendations**

1. The Department recommends that the Assessor update the final statutory maximum levy rate for the City of Port Townsend (CPT) on the levy calculation worksheet before certifying the tax roll to the Jefferson County Treasurer.
2. The Assessor must apply the dollar and percentage of change to the previous year's levy as authorized by a taxing district in a separate ordinance or resolution.

## Requirement – Certifications 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 he has received the certified state assessed utility values 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 2020 tax year. The assessed values were certified to the taxing districts, via the Assessor's website, on January 22, 2020.

### 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.

### Why it's important

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

## Recommendation – City of Port Townsend

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### Recommendation

The Department recommends that the Assessor update the final statutory maximum levy rate for the City of Port Townsend (CPT) on the levy calculation worksheet before certifying the tax roll to the Jefferson County Treasurer.

### What we found

The Assessor's records do not reflect the statutory maximum rate for the CPT as the statutes require for cities or towns annexed to a fire and/or library district.

The Assessor noted that due to software limitations they deduct the maximum levy rate for the fire district, \$1.50 per \$1,000 assessed value, and add the full amount of the fire fighters pension fund, \$0.225 per \$1,000 assessed value, to CPT's base statutory maximum rate limit, \$3.60 per \$1,000 assessed value, to arrive at the minimum levy rate that CPT could have levied under this limitation. They have a system in place that when the calculated levy rate for the CPT exceeds \$2.325 per \$1,000 assessed value that they go back and recalculate CPT's statutory maximum rate limit using the final levy rate for Fire District No. 1. If the the calculated levy rate does not exceed the minimum rate of \$2.325 per \$1,000 they know the statutory maximum rate limit is not the lesser of the limitations for this district at the district level.

### Action recommended

The Department recommends the Assessor:

- Update the statutory maximum rate limit to reflect the actual maximum rate the district could have levied based on adjustments for Fire District No. 1's certified levy rate and the addition of additional levy capacity for their fire fighter's pension fund before certifying the tax roll to the Jefferson County Treasurer.

### Why it's important

A correct statutory maximum levy rate for a city or town annexed to a fire or library district ensures the city is not levying more or less than the law allows.

## Recommendation – Dollar and percentage of change resolution

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### Recommendation

The Assessor must apply the dollar and percentage of change to the previous year's levy as authorized by a taxing district in a separate ordinance or resolution.

### What we found

The City of Port Townsend (CPT) adopted Resolution No. 3238 that stated the dollar and percentage of increase to the previous year's levy amount. The resolution also includes information regarding the district's levy certification amounts for their general and bond levies.

The law requires the resolution authorizing the dollar and percentage of change to the previous year's levy be a separate resolution or ordinance (RCW 84.55.120 and WAC 458-19-085). The resolution should not include additional requirements.

### Action recommended

The Department recommends the Assessor:

- Continue your educate efforts with the CPT with regards to increasing their previous year's levy amount. To increase the previous year's levy amount, the district must state the dollar and percentage of change in a separate ordinance or resolution. This means the resolution should not include topics in addition to the dollar and percentage of change from the previous year's levy. The Assessor could encourage the district to use the Department's ordinance resolution form (REV 64 0101).

### Why it's important

To ensure taxing districts are disclosing increases in their budget amount as required by statute.



## 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 February 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:

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