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Washington Department of Revenue Property Tax Division

2021 Chelan County Levy Audit A Summary Report



Table of Contents

| | |
|--|---|
| Overview | 3 |
| Executive Summary | 4 |
| Requirement – Tax roll certification | 6 |
| Requirement – Tax increase authorized by ordinance or resolution | 7 |
| Next Steps | 9 |

Overview

Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Chelan 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: Cashmere, Entiat, Leavenworth, and Wenatchee
- Fire Districts: No. 1, No. 5, No. 6, and No. 9
- Hospital Districts: #2 Chelan
- Cemetery Districts: No. 1 Entiat, No. 3 N Wenatchee, and No. 5 Malaga
- Other districts: County Roads and Manson Parks & Rec

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 2 requirements and discovered 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

- The Assessor is required to certify the completed tax roll to the Chelan County Treasurer (Treasurer) on or before January 15, with acknowledgement of receipt, and provide the Chelan County Auditor (Auditor) with an abstract of the tax roll.
- The Assessor is required to apply both the dollar increase and percentage of increase authorized by the taxing district to the prior year's levy and use the lesser of these two amounts, if they do not balance, when determining the levy limitations.

Requirement – Tax roll certification

Requirement

The Assessor is required to certify the completed tax roll to the Chelan County Treasurer (Treasurer) on or before January 15, with acknowledgement of receipt, and provide the Chelan County Auditor (Auditor) with an abstract of the tax roll.

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 provided the Department with a copy of the Certification of Levies Report dated February 12, 2021. This report did not contain the certification statement with the Assessor's signature, date of signature, along with a signature for proof of receipt by the Treasurer.

The Assessor did not provide the Chelan County Auditor with an abstract of the tax roll that listed the tax amounts for each taxing district levying property tax.

This requirement was included in the Assessor's 2018 Levy Audit Report. The requirement was not implemented during the Department's 2020 Levy Audit Follow-up.

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, including a certification statement, the date, the Assessor's signature, and acknowledgement of receipt from the Treasurer. A cover letter could be added to the Certification of Levies Report with the certification statement to meet this requirement.
- Provide an abstract of the tax roll to the Auditor.

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.

Requirement – Tax increase authorized by ordinance or resolution

Requirement

The Assessor is required to apply both the dollar increase and percentage of increase authorized by the taxing district to the prior year's levy and use the lesser of these two amounts, if they do not balance, when determining the levy limitations.

What the law says

Taxing districts, other than the state, must hold a public hearing to review their current expense budget. If the district wishes to increase their regular property tax levy compared to the prior year's levy amount they must adopt an ordinance or resolution stating so. The ordinance or resolution must include both the dollar increase and percentage increase over the prior year's levy, exclusive of revenue increases due to new construction, certain types of green energy, improvements to property, and state assessed utility value (RCW 84.55.120)

What we found

The taxing districts in this audit completed the necessary documentation authorizing an increase over the prior year's levy. The documents included both the dollar increase and the percentage increase.

The Assessor provided the Department copies of the levy calculation summary reports demonstrating the review of the four levy limitation calculations. The Resolution Calculation section of the worksheet includes fields for both the dollar increase and percentage increase authorized by the taxing district. The Assessor included the authorized percentage of increase in the worksheet, but did not include the dollar change amount in the worksheet.

When the authorized dollar increase amount and percentage of change do not balance with each other, the lesser of these two amounts must be used when determining the levy limitation.

The Manson Parks & Rec district is an example where the dollar increase and percentage of change do not balance with each other. The district authorized a \$29,089.80 dollar increase and a 19 percent increase compared to their prior year's levy. The dollar increase is slightly less than the 19 percent increase authorized. The Assessor's levy calculations should have used the dollar increase for this limitation rather than the percentage increase. This example did not result in an incorrect amount of property taxes levied within the district as the levy was limited by a different levy limitation. If the taxing district's resolution or ordinance do not balance, depending how much difference there is between the two increases, it could result in a levy error.

Action needed to meet requirement

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

- Apply both the dollar increase and percentage of increase authorized by the taxing district to the prior year's levy and use the lesser of these two amounts, if they do not balance, when determining the levy limitations

Why it's important

Using both the percentage increase and dollar increase will ensure the correct amount of property tax is levied for the district.

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. 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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