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Washington Department of Revenue Property Tax Division

2021 Okanogan County Levy Audit A Summary Report



Table of Contents

Overview 3

Executive Summary 4

 Requirement – Certification of assessed values to taxing districts 6

 Requirement – Levy certification amount 7

 Requirement – 1 Percent constitutional limit 9

 Requirement - Town of Nespelem 10

 Recommendation – Certification of levy request amounts 11

 Recommendation – Uniform levy rates 12

Next Steps 13

Appendix A 14

Appendix B 15

Appendix C 16

Appendix D 17

Overview

Purpose

The primary purpose of this review by the Department of Revenue (Department) is to assist the Okanogan 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: Brewster, Coulee Dam, Nespelem, Omak, and Pateros
- Fire Districts: 2, 4, 6, 7, 8, 10, 11, and 14
- Hospital Districts: 1, 3, 4, and 6
- Cemetery Districts: 1, 2, 3, and 4
- North Central Library 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 four 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 certify both locally and state assessed values to the taxing districts once he has received the certified state assessed utility values from the Department.
2. The Assessor is required to use the levy amount certified by the county legislative authority when determining the lesser of the levy limitations.
3. 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.
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.

Recommendations

1. The Department recommends the Assessor provide education to the county legislative authority regarding the certification of budgets or budget estimates for each taxing district within the county wishing to levy for property tax.
2. The Department recommends the Assessor work with the North Central Library District (Library) to ensure the levy rate certified by the district contains a number of digits after the decimal his software application is able to accommodate.

Requirement – Certification of assessed values to taxing districts

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 provided the Department with a document, dated June 1, 2021, certifying locally assessed values and state assessed utility values to the taxing districts for the 2020 assessment year. The Assessor stated he certified assessed values to the taxing districts prior to the June 1, 2021 certification but was unable to provide the Department with the date of certification or a copy of the document.

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.
- Retain documentation of the certification, including the date. One way to accomplish this is to keep copies of the certification letters. Documentation of the certification date is necessary because this date can affect the dollar amount taxing districts may levy, in some circumstances (RCW 84.52.070(3)).

Why it's important

Timely certification of assessed values to the taxing districts will assist the taxing districts with their budget process and determine if there are any levy consequences if the county legislative authority certifies the levy requests to the Assessor after November 30. It will also enhance the transparency in the governmental process of levying property tax.

Requirement – Levy certification amount

Requirement

The Assessor is required to use the levy amount certified by the county legislative authority when determining the lesser of the levy limitations.

What the law says

Most taxing districts are required to certify a budget or a budget estimate to the county legislative authority on or before November 30 to levy for property taxes (RCW 84.52.020).

The county legislative authority is required to certify the amount to be levied for each of the taxing districts, including the county, to the county assessor on or before November 30, of each year. If 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

The Assessor did not use the levy amounts certified to him by the county legislative authority to determine the lesser of the levy limitations for the City of Brewster (CB) and the City of Pateros (CP) emergency medical services levies (EMS). The CB and CP each received voter approval for a six-year EMS levy, beginning in the 2021 tax year. It appears to the Department the Assessor used the maximum allowable levy amount authorized in the ballot measures as the levy certification amount, instead of the levy amounts certified to him the county legislative authority.

The Assessor did not use the levy amounts certified to him by the county legislative authority to determine the lesser of the levy limitations for Fire District No. 6 (FD6). The voters approved a lid lift for the FD6 general levy, for the 2021 tax year. It appears to the Department the Assessor used the maximum allowable levy amount authorized in the ballot measure as the levy certification amount, instead of the levy amount certified to him by the county legislative authority.

Requirement – Levy certification amount, continued

A voter approved ballot measure gives a taxing district the authority to levy up to the dollar amount or levy rate listed in the ballot measure. The taxing district must authorize the dollar amount they wish to levy in a levy certification.

The Assessor must levy the amounts certified to him by the county legislative authority. He does not have the authority to change a district's levy certification amount.

The use of incorrect levy certification amounts resulted in the overlevy errors listed in the table below:

Taxing District	County Legislative Authority Levy Certification Amount	Levy Amount the Assessor Used	Overlevy Error Amount
City of Brewster EMS	\$82,805.39	\$83,175.55	\$370.16
City of Pateros EMS	\$32,015.00	\$32,330.95	\$315.95
Fire District No. 6	\$1,188,178	\$1,190,309.88	\$2,131.88

Action needed to meet requirement

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

- Use the levy amounts certified to him to determine the lesser of the levy limitations, including taxing districts with voter approved levies.
- Correct the overlevy errors, for the CB, CP, and FD6.
- Notify the CB, CP, and FD6 of the levy errors. If the correction in the succeeding year will cause a hardship for either the taxing district or taxpayers, the district may request to correct the error on a proportional basis over a period of no more than three years.
- Use the corrected 2021 levy rates, provided in Appendix A, B, and C, when calculating the rates for the 2022 tax year, as if the errors had not occurred for the CB, CP, and FD6.

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 – 1 Percent constitutional limit

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 Part 2 of the State School Levy in the 1 percent constitutional limit verification, for the 2021 tax year. The exclusion of Part 2 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 the 1 percent constitutional levy limit verification.

Why it's important

To ensure the 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 - Town of Nespelem

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 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 highest lawful levy amount since 1985 to calculate the levy limitation for the Town of Nespelem (TN), for the 2021 tax year. The incorrect highest lawful levy amount did not result in a levy error.

Action needed to meet requirement

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

- Calculate the levy limitation for a taxing district using the highest lawful levy since 1985.
- Calculate the TN levy limitation for the 2022 tax year using the correct highest lawful levy amount, provided in Appendix D.

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.

Recommendation – Certification of levy request amounts

Recommendation

The Department recommends the Assessor provide education to the county legislative authority regarding the certification of budgets or budget estimates for each taxing district within the county wishing to levy for property tax.

What we found

The county legislative authority certified the levy requests to the Assessor after the November 30 deadline. The certification did not include levy amounts for excess levies.

It is unclear to the Department why the certification was not completed timely and did not include levy requests for excess levies. The Assessor provided the Department with timely levy certifications by the taxing districts and voter approved ballot measures. (RCW's 84.52.020 and 84.52.070).

The Department's 2018 Okanogan County Levy Audit also included a recommendation regarding the county legislative authority's certification of taxing district levy amounts to the Assessor.

Action recommended

The Department recommends the Assessor:

- Continue to provide education to the county legislative authority regarding the certification of levies process. This should include the November 30 deadline and listing both regular and excess levy amounts for each taxing district wishing to levy for property tax.

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 – Uniform levy rates

Recommendation

The Department recommends the Assessor work with the North Central Library District (Library) to ensure the levy rate certified by the district contains a number of digits after the decimal his software application is able to accommodate.

What we found

The Library boundaries include Douglas County as well as several other counties. The Library is responsible for certifying a uniform levy rate to be applied to all property within the district. The Library certified a levy rate to the Assessor in an email, dated December 23, 2020. The certified levy rate included 12 digits past the decimal point. The certification email included a levy calculation worksheet, the last two digits of the levy rate in the email does not agree with the rate on the worksheet. It appears to the Department this was a transposition.

The Assessor applied the certified levy rate using only ten digits past the decimal point. This resulted in a non-uniform rate for the district. Use of a rate with less digits did not result in levying an incorrect dollar amount for the Library.

The Washington State Constitution states in article VII, section 2, *all taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax.*

Washington Courts have found that tax is uniform if an equal tax rate is applied to properties with equal assessment ratios. [University Village LTD. Partners v. King County, 106, Wn. App. 321,23 P 3d 1090 (2001).]

Action recommended

The Department recommends the Assessor:

- Levy the rate certified to him by the district or county responsible for calculating the levy rate, for joint taxing districts.
- Notify the taxing district or county assessor certifying a levy rate to him of the number of digits past the decimal point his software system can accommodate. Request a certified levy rate within this parameter for the 2022 tax year and thereafter. This will ensure the levy rate is uniform in a taxing district when it crosses county boundaries.

Why it's important

The Washington State Constitution requires fair and equitable taxation for all taxpayers within a taxing district, and a uniform levy rate within a taxing district ensures taxpayers are paying the correct amount of property tax.

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
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Olympia, WA 98504-7471
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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: City of Brewster EMS												
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?
2020	2021								166,351,109	0.500000000000		
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								
2020	2021						0.00	82,805.39	83,175.55			
Assmt Taxes	Current Year's	Actual	Actual Levy	Correct	Over/Under			New Highest	Levy Rate	Without Levy		
Year Due	Max Levy	Amount	Rate	Levy Rate	Levy			Lawful Levy	Error or Levy	Error or Levy		
		Levied						Since 1985	Correction			
2019	2020		0									
2020	2021	82,805.39	83,175.55	0.500000000000	.4977747999	370.16		83,175.55	0.4977747999			

Appendix B

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

Levy Limit Calculation for District: City of Pateros EMS												
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?
2020	2021								64,661,908	0.500000000000		
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								
2020	2021						0.00	32,015.00	32,330.95			
Assmt Taxes	Current Year's	Actual	Actual Levy	Correct	Over/Under			New Highest	Levy Rate	Without Levy		
Year Due	Max Levy	Amount	Rate	Levy Rate	Levy			Lawful Levy	Error or Levy	Error or Levy		
		Levied						Since 1985	Correction			
2019	2020		0									
2020	2021	32,015.00	32,330.95	0.500000000000	0.4951137538	315.95		32,330.95	0.4951137538			

Appendix C

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

Levy Limit Calculation for District: Fire District No. 6														
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 checked="" type="checkbox"/> Lid Lift?
2020	2021								1,434,108,290	0.830000000000				
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			
2020	2021						0.00	1,188,178.00	1,190,309.88					
Assmt Taxes Year Due	Current Year's Max Levy	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							
2019	2020		0											
2020	2021	1,188,178.00	1,190,309.88	0.830000000000	0.8285134451	2,131.88	1,190,309.91	0.8285134451						

Appendix D

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

Levy Limit Calculation for District: Town of Nespelem												
Assmt Taxes	Highest	Limit	Highest	State Assd	Tax Added	Annexed	Tax Added	Levy	Assd	Stat	<input type="checkbox"/> Annexed to Library? <input type="checkbox"/> Annexed to Fire? <input type="checkbox"/> Firemen's Pension? <input type="checkbox"/> Lid Lift?	
Year Due	Lawful Levy	Factor	Lawful plus Increase	New Const	for State Assd New Const	Value	for Annex.	Limit	Value	Rate	Max.	
2020 2021	9,636.60	101.00000%	9,732.97	0	0.00	0	0.00	9,732.97	2,719,755	3.375000000000		
Actual Levy:							Refund	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 Increase	for State Assd New Const	for Annex.	Levy by Res.		Budget	Stat. Rate Maximum	Plus Refund	Levy By Res. Plus Refund	
2020 2021	9,599.21	\$95.99	9,695.20	0.00	0.00	9,695.20	0.00	9,695.20	9,179.17	9,732.97	9,695.20	
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 Levied	Rate	Levy Rate	Levy	Lawful Levy Since	Without Levy	Error or Levy		
2019 2020					3.3750016261							
2020 2021	9,179.17	0.00	9,179.17	9,179.17	3.3749988509	3.3749988509	0.00	9,636.60	3.374998850900			