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Washington Department of Revenue Property Tax Division

2022 Pend Oreille 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 Pend Oreille 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:

- City/Towns: City of Newport and Town of Lone
- Fire Districts: Fire District 4
- Hospital Districts: Hospital 1
- Cemetery Districts: Cemetery 1
- Library Districts: Library District
- School Districts: School Districts 56 and 70
- County General and County Road

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:

1. The first category, *Requirements*, is of the greatest urgency for effective administration by the assessor. A change is required to adhere to the law.
2. 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 three 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. **Tax roll certification** – The Assessor is required to certify the completed tax roll to the Pend Oreille County Treasurer (Treasurer) on or before January 15, with acknowledgement of receipt, and provide the Pend Oreille County Auditor (Auditor) with an abstract of the tax roll.
2. **Certification of levies to assessor** – The Assessor is required to calculate the levy limitations based on the certified levy requests from the Pend Oreille County legislative authority for most taxing districts within or coextensive with the county.
3. **Tax increase authorized by ordinance or resolution** – The Assessor is required to correct levy errors made in County General for the 2021 and 2022 tax years.

Recommendations

1. **Tax increase authorized by ordinance or resolution** – The Department recommends the Assessor 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 1 – Tax roll certification

Requirement

The Assessor is required to certify the completed tax roll to the Pend Oreille County Treasurer (Treasurer) on or before January 15, with acknowledgement of receipt, and provide the Pend Oreille 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 January 15, 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 a letter certifying the tax roll addressed to the Treasurer dated January 11, 2022.

This template letter did not have the Assessor's signature along with a signature for proof of receipt by the Treasurer. When asked for a copy, the Assessor indicated he does not receive a signed document verifying receipt of the tax rolls.

The Assessor did not provide the Auditor with an abstract of the tax roll that listed the tax amounts for each taxing district levying property tax. The Assessor stated that he had the Auditor sign the certification to the Board of Equalization.

Actions needed to meet requirement

The Assessor is required to take the following actions:

- 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 2 – Certification of levies to assessor

Requirement

The Assessor is required to calculate the levy limitations based on the certified levy requests from the Pend Oreille County Legislative Authority for most taxing districts within or coextensive with the county.

What the law says

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

It is the duty of the county legislative authority of each county, on or before the December 15 in each year, to certify to the county assessor the amount of taxes levied upon the property in the county for county purposes, and on or before the first Monday in December the respective amounts of taxes levied by the board for each taxing district, within or coextensive with the county, for district purposes. (RCW 84.52.070(1))

What we found

For each taxing district the Department reviewed, there was written certification from taxing districts to the county legislative authority for amounts to be levied for the 2022 tax year. Some of these taxing districts did not certify by November 30.

The Assessor did not provide the Department with written certification from the Pend Oreille County legislative authority listing the levy amounts for each taxing district within the county.

Actions needed to meet requirement

The Assessor is required to take the following actions:

- Obtain a written certification of levy amounts, for each taxing district, from the county legislative authority before certifying the tax roll.
- Provide the Pend Oreille County legislative authority with a copy of the [Department's Levy Certification Requirements Property Tax Advisory](#) describing their role in certifying the levy requests to you.
- Provide additional education to the taxing districts within the county regarding the November 30 deadline for certification of their levy amounts to the county legislative authority.

Why it's important

Since some taxing districts do not have statutory authority to make the property tax levy themselves, the county legislative authority is charged with the responsibility to certify the amount of taxes to be levied upon the property in the county.

Requirement 3 – County General

Requirement

The Assessor is required to correct levy errors made in County General levy for the 2021 and 2022 tax years.

What the law says

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)

What we found

The Department was unable to determine from several sources the amount levied in the 2021 tax year when performing 2022 tax year calculations. After speaking with the Assessor, he discovered an error made the previous year. This was born out of carrying over the incorrect prior year's levy from the 2020 tax year by not including the refund amount. This subsequently influenced carrying the incorrect levy amount from the 2021 tax year to the 2022 tax year. In both years, the lowest of the levy limits were the authorized levy by resolutions plus refunds. The Department has detailed the correct calculations in the below tables.

For further detail please see Appendix A (2021 tax year calculations) and Appendix B (2022 tax year calculations).

2021 tax year calculations (Appendix A)

Previous year's (2020 TY) levy amount:	\$2,157,338.60	+
1 percent increase by resolution	\$21,573.39	+
Tax from new construction and state assessed utility value	\$45,167.67	+
Refund	\$3,300.71	+
Road shift	\$200,000	=
Less road shift amount (correct levy amount for County General)	\$2,427,380.37	
Actual levy amount made by the Assessor	\$2,423,933.90	
Underlevy amount	\$(3,446.47)	

2022 tax year levy calculations (Appendix B)

Highest Lawful Levy since 1985	\$2,266,405.59	+
Limit factor (101%) Increase	\$22,664.06	+
Tax from new construction and state assessed utility value	\$70,605.76	+
Refund	\$3,100.93	=
Levy limit plus refund	\$2,362,776.34	

Previous year's levy	\$2,423,933.90	+
1% authorized by resolution	\$24,239,34	+
Dollar increase authorized by resolution	\$22,664.06	+
Previous year's levy plus increase	\$2,446,597.96	+
Tax from new construction and state assessed utility value	\$70,605.76	+
Refund	\$3,100.93	=
Authorized levy by resolution (plus refund)	\$2,517,203.72	

Assessed value	\$1,862,150,635	*
Statutory maximum rate	\$1.80 per \$1,000 AV	=
Limit per statutory maximum rate	\$3,351,871.14	

Summary of levy limits

Certified budget	\$2,500,000.00
Statutory rate maximum	\$3,351,871.14
Levy limit plus refund	\$2,362,776.34
Levy limit authorized by resolution, plus refund	\$2,520,304.65
Lowest of levy limits	\$2,362,776.34
Actual levy amount made by the Assessor	\$2,364,080.70
Overlevy amount	\$1,304.36

Net levy error between 2021 & 2022 tax years:

2021	\$(3,446.47)
2022	\$1,304.36
Total	\$(2,141.51)

Actions needed to meet requirement

The Assessor is required to take the following actions:

- Notify the taxing district of the under-levy error of \$2,141.51 as soon as possible.
- Start the levy error correction process with the 2023 tax year.
- If the district finds correcting the fully levy error in one year may cause a hardship for the district or taxpayers, the district may elect to have the correction implemented proportionately over a consecutive period of no more than three years.
- When calculating additional levy capacity for the 2023 tax year, use the levy rate as if the error had not occurred during the 2022 tax year. Please see Appendix B for the correct highest lawful levy since 1985 and the correct levy rate.

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 1 – Tax increase authorized by ordinance or resolution

Recommendation

The Department recommends the Assessor 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 did not use both fields to enter the percentage and dollar increases which allows the worksheet to use the lesser of the two.

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.

There were no levy errors detected in the audit because of this oversight, but this should be done in future levy calculations.

Action recommended

The Department recommends the Assessor:

- 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 in 2023. This will give the Assessor an opportunity to implement the required and 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](#).

For questions about specific requirements or the recommendation in this report, please contact us at:

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Appendix A – County General 2021 tax year calculations

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

Levy Limit Calculation for District: County General													
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?
2020	2021		2,199,245.47	101.00%	2,221,237.92	32,677,660	45,167.67	0	0.00	2,266,405.59	1,703,513,533	1.800000000000	
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 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		2,157,338.60	\$21,573.39	2,178,911.99	45,167.67	0.00	2,224,079.66	3,300.71	2,300,000.00	3,066,324.36	2,269,706.30	2,227,380.37
Summary of Levy Rates Checks and Balances													
Assmt Taxes	Year	Due	Current Year's Max Levy	Pre Shift Levy Rate	Shift Amount	Levy Amount After Shift	Actual Amount Levied	Actual Levy Rate	Correct Levy Rate Post Shift	Post Shift Road & County General Rate Limit Check	Over/Under Levy		
2019	2020							1.382218597300					
2020	2021		2,227,380.37	1.307521380000	200,000.00	2,427,380.37	2,423,933.90	1.422902638000	1.424925789000	1.424925789000	(3,446.47)		

Appendix B – County General 2022 tax year calculations

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

Levy Limit Calculation for District: County General											
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	2,266,405.59	101.00000%	2,289,069.65	49,600,984	70,605.76	0	0.00	2,359,675.41	1,862,150,635	1.800000000000	
Actual Levy:							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	2,423,933.90	\$22,664.06	2,446,597.96	70,605.76	0.00	2,517,203.72	3,100.93	2,500,000.00	3,351,871.14	2,362,776.34	2,520,304.65
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					1.423474971098						
2021 2022	2,362,776.34	0.00	2,362,776.34	2,364,080.70	1.2695432129	1.268842751757	1,304.36	2,359,675.41	1.268842751757		