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Washington Department of Revenue Property Tax Division

2020 Clallam 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 Clallam 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/Towns: Forks and Port Angeles
- Fire Districts: 3, 4, and 6
- Hospital District No. 2
- Olympic Rural Library District
- School Districts: Port Angeles No. 121 and Quillayute No. 402
- William Shore Metropolitan Park 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 one requirement and three 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 complete all of the levy limit calculations using the city's established boundaries as of August 1 of the year the city is making the levy.

The Assessor is required to correct a levy error when it causes all of the taxpayers within a taxing district to pay an incorrect amount of property tax.

Recommendations

1. The Department recommends the Assessor clarify the cover letter that accompanies her certification of the locally and state assessed values to the taxing districts.
2. The Department recommends the Assessor continue to provide education to the county legislative authority regarding the certification of the levy amounts or levy estimates for each taxing district within the county that wishes to levy for property tax.
3. The Department recommends the Assessor update reports and letters to display accurate titles for school district enrichment levies.

Requirement – City of Forks

Requirement

The Assessor is required to complete all of the levy limit calculations using the city’s established boundaries as of August 1 of the year the city is making the levy.

The Assessor is required to correct a levy error when it causes all of the taxpayers within a taxing district to pay an incorrect amount of property tax.

What the law says

For the first levy for a taxing district following annexation of additional property, the limitation set forth in RCW 84.55.010 must be increased by an amount equal to the aggregate assessed valuation of the newly annexed property as shown by the current completed and balanced tax rolls of the county or counties within which such property lies, multiplied by the dollar rate that would have been used by the annexing unit in the absence of such annexation, plus the additional dollar amount calculated by multiplying the regular property tax levy rate of that annexing taxing district for the preceding year by the increase in assessed value in the annexing district resulting from: new construction, increases in assessed value due to construction of wind turbine, solar, biomass, and geothermal facilities, increases in state assessed property values, and improvements to property (RCW 84.55.030 and WAC 458-19-035).

For the purposes of property taxation and the levy of property taxes, the boundaries of most taxing districts shall be the established official boundaries of such districts existing on the first day of August of the year in which the property tax levy is made. The official document changing the district’s boundaries must be filed with either the county auditor or other county official in triplicate. The officer with whom the document is filed must provide the county assessor with two copies of this document (RCW 84.09.030).

For each annexation by a city or town desiring to collect road, fire or library taxes that have been levied but not collected on any property with the annexed territory the city or town must provide notification of the annexation to the county treasurer and assessor. This notification must be made at least sixty days before the effective date of the annexation. The county treasurer is only required to remit to the city or town those road taxes, fire district taxes, and library district taxes collected sixty days or more after receipt of the notification (RCW 35.13.270).

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).

Requirement – City of Forks, continued

What we found

The Assessor included the annexation of three parcels to the City of Forks (CF) in the levy limit calculations for the 2020 tax year. She should have included only one of the three parcels in the calculations for the 2020 tax year. The annexation process was complete in 2018 for two of the parcels, before the deadline for setting district boundaries. The deadline was August 1, 2018, for the 2019 tax year.

The Assessor stated she did not include the annexation for the two parcels in the the levy calculations for the 2019 tax year, because the CF did not notify her of the annexations at least 60 days prior to the effective date. The Assessor received notifications of annexation for both parcels on November 5, 2018. At that time, she had already certified the assessed values, for the 2019 tax year.

If the Assessor was unable to complete the annexation calculation for the 2019 tax year, due to the late notification of the annexation, she should have used the levy error correction process in the levy calculations for the 2020 tax year as referenced in an email from the Department on November 15, 2018.

RCW 84.55.030 and WAC 458-19-035 limit the inclusion of annexations in the levy limit calculations to the first levy year after the boundaries are set. In this case, the first levy was the 2018 levy for 2019 taxes, for two of the parcels. There is no provision within the law allowing the inclusion of annexations in the levy limit calculations after the first year following a boundary change, when the Assessor is unaware of the change. If an annexation is not included in the levy limit calculations in the first year after setting the boundaries the district loses it's additional levy capacity, resulting from an annexation, unless the error is discovered within the levy error correction timeline. Then a levy error correction can be made, adding this additional levy capacity to the district.

This error resulted in a net overlevy of \$294.01 for the 2019 and 2020 tax years.

Requirement – City of Forks, continued

Action needed to meet requirement

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

- Recalculate the 2019 tax year levy limit. Include the taxable value of the two parcels that were annexed into the CF as of August 1, 2018, in the total tax base for the annexation portion of the levy limit calculations. (See Appendix A)
- Recalculate the 2020 tax year levy limit. Exclude the taxable value of the two parcels that were annexed into the city as of August 1, 2018, from the annexation portion of the levy limit calculations. (See Appendix B)
- Correct the net overlevy error of \$294.01, beginning with the 2021 tax year.
- Notify the taxing district of the levy error. 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.
- Use the correct highest lawful levy amount and levy rate, highlighted in Appendix B, to calculate the levy limitations for the 2021 tax year.

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.

Recommendation – Certification of assessed values to taxing districts

Recommendation

The Department recommends the Assessor clarify the cover letter that accompanies her certification of the locally and state assessed values to the taxing districts.

What we found

The Assessor's cover letter accompanying the certification of values to the taxing districts, dated November 1, 2019, contains conflicting statements. The regarding line indicates the assessment information is the certified value for the district. Language in the body of the letter states the assessment information is a preliminary value.

In an email dated June 29, 2020, the Assessor clarified the documents provided to the districts on November 1, 2019 are the certified assessments as required in RCW 84.48.130.

Action recommended

The Department recommends the Assessor:

- Update the cover letter so it identifies the assessed values are certified values as required in RCW 84.48.130. These values include the Assessor's locally assessed real and personal property values as well as the certified state assessed utility values at the time they receive the assessment certification from the Department.

Why it's important

Correctly identifying the assessment information certified to the taxing districts provides transparent documentation that the Assessor has completed the statutory requirements.

Recommendation – Certification of levies to Assessor

Recommendation

The Department recommends the Assessor continue to provide education to the county legislative authority regarding the certification of the levy amounts or levy estimates for each taxing district within the county that wishes to levy for property tax.

What we found

The Assessor provided the Department with the following documentation:

- Amended 2019-2020 Tax District Budget Summary. The document references it is approved by the Clallam County Legislative Authority RCW 84.52.070. The only date on the document is a date stamp indicating it was received by the Clallam County Commissioners on December 3, 2019. The Assessor did not provide the Department with the original version of this document.
- A work session document from the Clallam County Commissioners for November 18, 2019, Item No. 6, references the discussion of the levy certification for RCW 84.52.070.
- Clallam County Commissioners Minutes for the week of November 25, 2019, through November 29, 2019, which includes reference to the certification of the taxing district's levy budgets to the Assessor.

Based on the work session document and meeting minutes it appears the county legislative authority's original certification of the taxing districts budget amounts, for the 2020 tax year, to the Assessor may have occurred by the deadline of December 2, 2019.

Action recommended

The Department recommends the Assessor:

- Continue to educate the county legislative authority regarding the certification of each taxing district's levy or levy estimate to the Assessor. This should include:
 - A timely signed and dated certification.
 - Language actually stating they have certified the information to the Assessor.

Why it's important

The levy capacity for taxing districts may be affected if the county legislative authority does not timely and accurately certify taxing district budget requests.

Recommendation – Levy titles

Recommendation

The Department recommends the Assessor update reports and letters to display accurate titles for school district enrichment levies.

What we found

The Assessor's Certification of Levies report, Certification of Levy Rates report, and Certification of Assessed Values to the taxing districts letter, lists maintenance and operations (M&O) levies for the school districts. Beginning in the 2019 tax year, M&O levies no longer exist for school districts, they are enrichment levies (RCW 84.52.043).

Action recommended

The Department recommends the Assessor:

- Relabel the school district M&O levies in the Assessor's certification reports and letters to show they are enrichment levies, for the 2021 tax year.

Why it's important

Section 2 of EHB 2242, Chapter 13, Laws of 2017, 3rd Special Session renamed M&O levies as enrichment levies. Correct titles for property tax levies provides taxpayers transparency in the levy process.

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 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:

Washington State Department of Revenue
Property Tax Division
PO Box 47471
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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 Forks - 2019												
Assmt Taxes	Highest	Limit	Highest	State Assd	Tax Added	Annexed	Tax Added	Levy	Assd	Stat	<input checked="" 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?
2018 2019	361,151.51	101.00000%	364,763.03	942,064	2,151.05	85,959	195.39	367,109.47	161,502,667	2.357809938800		
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								
2018 2019	357,995.10	\$0.00	357,995.10	2,151.05	195.39	360,341.54	770.14	375,770.14	380,792.59	367,879.61	361,111.68	
Assmt Taxes	Current Year's	Levy Correction	Total Levy	Actual	Actual Levy	Correct	Over/Under	New Highest	Levy Rate	Without Levy	Error or Levy	
Year Due	Max Levy		w/ Correction	Amount	Rate	Levy Rate	Levy	Lawful Levy Since		Error or Levy	Correction	
				Levied				1985				
2017 2018					2.283340078846							
2018 2019	361,111.68	0.00	361,111.68	360,916.29	2.235928947331	2.2359487103	(195.39)	367,109.47	2.235948710300			

Appendix B

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

Levy Limit Calculation for District: City of Forks - 2020												
Assmt Taxes	Highest	Limit	Highest	State Assd	Tax Added	Annexed	Tax Added	Levy	Assd	Stat	<input checked="" type="checkbox"/>	Annexed to Library?
Year Due	Lawful Levy	Factor	Lawful plus	New Const	for	Value	for	Limit	Value	Rate	<input checked="" 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?
2019 2020	367,109.47	101.00000%	370,780.56	990,021	2,213.64	170,877	373.43	373,367.63	170,847,700	2.402807031500		
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								
2019 2020	360,916.29	\$0.00	360,916.29	2,213.64	373.43	363,503.36	710.45	380,710.45	410,514.05	374,078.08	364,213.81	
Assmt Taxes	Current Year's	Levy Correction	Total Levy	Actual	Actual Levy	Correct	Over/Under		New Highest	Levy Rate	Without Levy	
Year Due	Max Levy		w/ Correction	Amount	Rate	Levy Rate	Levy		Lawful Levy Since	Error or Levy	Error Correction	
				Levied					1985			
2018 2019					2.2359487103							
2019 2020	364,213.81	0.00	364,213.81	364,703.21	2.1346685381	2.1318039985	489.40		373,367.63	2.131803998500		