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Washington Department of Revenue Property Tax Division

2020 Whatcom 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 Whatcom 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: Blaine, Everson, and Lynden
- Fire Districts: 1, 4, 7, 8, 16, and 17
- Hospital Districts: Point Roberts and Skagit No. 304
- Cemetery Districts: 1, 3, 7, and 10
- School Districts: Blaine No. 503, Concrete No. 11, Ferndale No. 502, Meridian No. 505, and Nooksack No. 506
- Port of Bellingham
- Chuckanut Community Forest Park District
- Lynden Regional Park and Recreation District No. 3

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 two requirements and two recommendations directed toward improving the accuracy of the levy process.

Executive Summary, continued

Requirements

1. The Assessor is required to certify both locally and state assessed values to the taxing districts.
2. The Assessor is required to calculate the levy limitations based on the certified levy requests from the Whatcom County legislative authority for most taxing districts within or coextensive with the county.

Recommendations

1. 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.
2. The Department recommends the Assessor update the certification of value letters and website to display accurate labels for the school district enrichment levies.

Requirement – Certifications of assessed values to taxing districts

Requirement

The Assessor is required to certify both locally and state assessed values to the taxing districts.

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).

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).

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 on multiple dates, the earliest date was December 20, 2019.

Action needed to meet requirement

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

- Certify the total assessed value, including both locally assessed values and state assessed utility values, to the taxing districts timely, at least 12 business days before November 30.
 - Provide the certification of assessed values to taxing districts immediately after receipt of the state assessed property values from the Department. Taxing districts use the certification of assessed value when planning their levy certification amount, due November 30.

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 – Certification of levies to assessor

Requirement

The Assessor is required to calculate the levy limitations based on the certified levy requests from the Whatcom 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).

The county legislative authority is required to certify the amount to be levied for most of the taxing districts, including the county, to the county assessor on or before November 30 of each year as not all taxing districts have statutory authority to make a property levy. For example, the county legislative authority must make the property tax levy against real and personal property for general taxes for fire districts (RCWs 84.52.070 and 84.52.040).

If a levy amount is certified to the county assessor after the thirtieth day of November, the county assessor may use no more than the county legislative authority's certified levy amount for the previous year for the taxing district. This levy consequence does not apply to state levies or when the assessor has not certified assessed values as required by RCW 84.48.130 at least twelve working days before November 30 (RCW 84.52.070(3)).

What we found

The Assessor did not provide the Department with a written certification from the Whatcom County legislative authority listing the levy amounts for each taxing district within the county. The Assessor stated the county legislative authority has provided a certification of taxing district budgets to the Assessor in the past. However, they haven't provided one to the Assessor for a number of years.

The Assessor did not certify 2019 assessed values, for the 2020 tax year, to the taxing districts twelve working days before November 30 thus, the levy consequence in RCW 84.52.070(3) does not apply.

The Assessor supplied the Department with levy certification documents authorized by each taxing district and date stamped received, for the 2020 tax year. None of the levy certifications provided to the Department were dated on or before November 30. The Assessor used the certification amounts listed in these documents to calculate the levy rates for the 2020 tax year.

Requirement – Certification of levies to assessor, continued

Action needed to meet requirement

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

- Obtain a written certification of levy amounts, for each taxing district, from the county legislative authority before certifying the tax roll.
- Educate the taxing districts within the county regarding the November 30 deadline for certification of their levy amounts.
- Educate the county legislative authority on the certification of levies process.

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.

Recommendation – City of Lynden

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 Lynden (City) adopted a resolution that stated the dollar and percentage of increase to the previous year's levy amount. The resolution also includes information regarding the limit factors to apply to the highest lawful levy in the levy limit calculation.

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 such as: limit factors, the levy certification amount, or statement of substantial need.

Action recommended

The Department recommends the Assessor:

- Educate the City 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.

Recommendation – School District Enrichment Levies

Recommendation

The Department recommends the Assessor update the certification of value letters and website to display accurate labels for the school district enrichment levies.

What we found

The certification of value letters, sent to the school districts, listed the enrichment *levy type* as maintenance and operations (M&O). In addition, the Assessor's tax booklet on the website lists M&O levies instead of enrichment levies for school districts for the 2019 tax year. Beginning in the 2019 tax year, Washington State law no longer allows school districts to levy M&O levies. They are authorized to levy enrichment levies (EHB 2242).

Action recommended

The Department recommends the Assessor:

- Update the certification of assessed value letters she sends to school districts to reflect accurate labels for school district enrichment levies. The letters should list the enrichment *levy type* as enrichment, instead of M&O. Update the website to reflect accurate labels for school district enrichment levies.

Why it's important

Correct labels for property tax levies provide 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:

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