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Washington Department of Revenue Property Tax Division

2023 Whatcom County Levy Audit A Summary Report



Table of Contents

Overview 3

Executive Summary 4

 Requirement 1 – \$5.90 and one percent constitutional aggregate limits..... 6

 Requirement 2 – Blaine-Birch Bay Park and Recreation District..... 7

 Recommendation 1 – Chuckanut Community Forest Park and Recreation District 8

Next Steps 9

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 2023 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:

- State School.
- City/Towns: Blaine and Ferndale.
- Fire Districts: 5, 11, 14, 17, 19, and 21.
- Hospital Districts: Point Roberts and Skagit No. 304.
- Cemetery Districts: 2 and 4.
- Rural Library District.
- School Districts: Bellingham No. 501, Concrete No. 11, Ferndale No. 502, Mount Baker No. 507, and Sedro Woolley No. 101.
- Blaine-Birch Bay Park and Recreational District No. 2.
- Chuckanut Community Forest.

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 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. The Assessor is required to review the \$5.90 and constitutional one percent aggregate limitations. When these limits are exceeded, the rates must be reduced or eliminated until the limitation is no longer exceeded.
2. The Assessor is required to calculate the statutory maximum levy dollar amount for a park and recreation district using the voter approved maximum levy rate.

Recommendations

1. The Department recommends the Assessor provide education to Chuckanut Community Forest Park and Recreation District (CPR) regarding the dollar and percentage of increase resolution.

Requirement 1 – \$5.90 and one percent constitutional aggregate limits

Requirement

The Assessor is required to review the \$5.90 and constitutional one percent aggregate limitations. When these limits are exceeded, the rates must be reduced or eliminated until the limitation is no longer exceeded.

What the law says

When levies imposed by taxing districts exceed the \$5.90 and one percent constitutional limits, levy rates must be reduced or eliminated until the limitation is no longer exceeded (RCW 84.52.010).

What we found

The Assessor used an incorrect levy rate, of \$.8874680335, for the City of Ferndale when verifying the \$5.90 and one percent constitutional aggregate limitations, for the 2023 tax year. The city's levy rate was \$.7035475673 for the 2023 tax year.

The incorrect levy rate did not result in a levy error.

Action needed to meet requirement

The Assessor is required to take the following action:

- Verify the \$5.90 and one percent constitutional aggregate limitations using the levy rates certified to the Whatcom County Treasurer.

Why it's important

Accuracy in the verification of the aggregate levy limitations ensures 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 2 – Blaine-Birch Bay Park and Recreation District

Requirement

The Assessor is required to calculate the statutory maximum levy dollar amount for a park and recreation district using the voter approved maximum levy rate.

What the law says

A park and recreation district may impose regular property tax levies in an amount equal to sixty cents or less per thousand dollars of assessed value of property in the district in each year for up to six consecutive years when specifically authorized so to do by the voters. The ballot proposition must include the maximum levy rate to be used and the maximum number of years the levy will be made (RCW 36.69.145 and RCW 29A.36.210).

What we found

The voters approved a six-year regular levy, not to exceed a levy rate of \$.10, for the Blaine-Birch Bay Park and Recreation District, with collection to begin in the 2018 tax year and end in the 2023 tax year. The Assessor used an incorrect statutory maximum levy rate of \$.60 to calculate the statutory maximum dollar amount for the 2023 tax year. The correct statutory maximum rate is \$.10, as approved by the voters. The Assessor used the correct statutory maximum rate for tax years 2018 through 2021, thus the highest lawful levy since 1985 was carried forward correctly to the 2023 tax year levy limit calculations.

The incorrect statutory maximum levy did not result in a levy error.

Action needed to meet requirement

The Assessor is required to take the following action:

- Calculate the statutory maximum levy limitation for future park and recreation districts with a voter approved regular levy using the levy rate specified in the ballot measure.

Why it's important

Using the correct statutory maximum levy rate ensures 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 1 – Chuckanut Community Forest Park and Recreation District

Recommendation

The Department recommends the Assessor provide education to Chuckanut Community Forest Park and Recreation District (CPR) regarding the dollar and percentage of increase resolution.

What we found

The CPR adopted Resolution No. 23 authorizing a decrease of \$54,940 from their previous year's levy amount for the 2023 tax year.

When a taxing district wishes to increase their regular property tax levy above the prior year's levy, or if they wish to bank the appropriate growth limit to use in a future year the district must adopt a resolution or ordinance stating the dollar amount and percentage increase as compared to their prior year's levy. If the difference between the current year's levy request amount is less than the prior year's levy, then the ordinance or resolution should reflect a zero dollar increase and zero percentage increase, not a decrease amount.

Action recommended

The Department recommends the Assessor:

- Continue to educate the CPR about their dollar and percentage of increase resolution. This could be accomplished by providing the CPR with a copy of this audit report and encouraging the district to use the Department's Ordinance/Resolution Form (REV 64 0101), available on our website at dor.wa.gov.

Why it's important

To ensure taxing districts are disclosing the changes in their budget amount as required by statute.

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 2024. 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 us at:

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