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Washington Department of Revenue Property Tax Division

2023 Island 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 Island 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 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:

- City/Towns: City of Langley, City of Oak Harbor Bond, and City of Oak Harbor Lid Lift.
- Fire Districts: Fire District No. 1.
- School Districts: Stanwood Camano School 401, Oak Harbor School 201, Coupeville School 204, and South Whidbey School 206.
- Parks/Recreation Districts: South Whidbey Park and Recreation.

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 directed toward improving the accuracy of the levy process.

We have listed a summary of this item in the Requirements section.

The Department did not identify any recommendations.

Executive Summary, continued

Requirements

1. The Assessor is required to balance the certified tax roll with the levy limitation calculations. If the two processes do not balance with each other, a levy error correction must be implemented.

Requirement – Stanwood/Camano Island School Districts

Requirement

The Assessor is required to balance the certified tax roll with the levy limitation calculations. If the two processes do not balance with each other, a levy error correction must be implemented.

What the law says

County assessors must calculate the levy rates for most taxing districts located in their county within the limitations provided by law, upon the assessed valuation of property of the county the district is located within, as shown by the completed tax rolls of the county (RCW 84.55.010).

School district enrichment levies are limited to the lesser of three limitations (RCW 84.52.0531 and RCW 84.52.070):

- \$2.50 per \$1,000 assessed value.
- Maximum per-pupil limit.
- Certified levy request amount from the county legislative authority.

School district bond levies are limited to no more than what was certified to the county assessor by the county legislative authority (RCW 84.52.070).

When a levy error has occurred, the assessor must correct the amount of the error by making appropriate adjustments to the levy for the taxing district in the succeeding year. If the error correction will cause hardship for either the district or taxpayers, the district may choose to make the adjustment on a proportional basis over a period of not more than three consecutive years. The correction of an error cannot be made for any period more than three years preceding the year in which the error is discovered (RCW 84.52.085).

What we found

The Stanwood/Camano Island School Districts are a joint taxing located in Island and Snohomish counties. The headquarters for the school district is located in Snohomish County, thus the Snohomish County Assessor has taken the responsibility of calculating the levy limitations for the school district and certifying the necessary levy rates to levy the property taxes to the Island County Assessor. Before the Snohomish County Assessor can complete these limitations, they must certify the taxable value of the district located in Island County to the Snohomish County Assessor.

Following the certification of the 2024 tax roll to the Island County Treasurer, the Island County Assessor contacted the Department in February 2023 alerting the Department to a levy error for the Stanwood/Camano Island School Districts for the 2023 tax year. At that time, the Department worked with the Island County Assessor to confirm the levy error amounts to notify the taxing district and the Snohomish County Assessor of the errors.

The certified levy rate from Snohomish County was applied to a different taxable value base in Island County than what the Assessor certified to the Snohomish County Assessor to calculate the levy rates for the district's bond and enrichment levy. This resulted in an overlevy of \$5,100.48 for the district's bond levy and an overlevy of \$6,660.19 for the district's enrichment levy. See Appendix A.

Action needed to meet requirement

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

- Notify the taxing district and Snohomish County Assessor of the over levy errors. 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.
- Begin the levy error correction with the 2023 levy limit calculations for the 2024 tax year.

Why it's important

When the certified tax roll does not balance with the levy limit calculations, the taxpayers within the district are not paying the correct amount of taxes and the district is not receiving the correct amount of taxes.

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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Property Tax Division
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Appendix A

The following worksheet contains regular levy calculations for the districts with errors in this audit.

Excess Levy Calculation: Standwood Camano 401														
Ballot Data Type & 1st Year	Budget	Refund	Total Levy Per Budget	Per Pupil Limit	\$2.50 Max. Limit	Lesser Levy Limit	Real & Personal Taxable Value	TAV	Total Value	Levy Rate	Total County AV x Rate	County Levy Rate	County Levy	Over/Under
Bond	10,875,000.00		10,875,000.00	n/a	n/a	10,875,000.00	11,061,197,608	5,260,992	11,066,458,600	0.982699198800	10,875,000.00	0.982699198800	10,880,100.48	5,100.48
Cap. Proj.			0.00	n/a	n/a	0.00			0	#DIV/0!	#DIV/0!			#DIV/0!
Transportation			0.00	n/a	n/a	0.00			0	#DIV/0!	#DIV/0!			#DIV/0!
Enrichment	14,197,168.86		14,197,168.86	6,169,141,642.00	27,659,570.26	14,197,168.86	11,061,197,608	2,630,496	11,063,828,104	1.283205842159	14,197,168.86	1.283205842100	14,203,829.05	6,660.19