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Washington Department of Revenue Property Tax Division

2024 Ferry 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 Ferry 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 2024 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:

- Ferry County Road District.
- City/Towns: Republic.
- Fire Districts: No. 13 and No. 14.
- Hospital District No. 11.
- Library District.
- School District No. 212 Kettle Falls.

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 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 calculate the statutory maximum rate limit for each regular levy. To do this for cities or towns annexed to a fire and or library district or participate in a regional fire service authority district, the Assessor must deduct the actual rate levied by the fire, library, or regional fire service authority district from \$3.60. If the city or town has a firefighters' pension fund, an additional \$.225 is added to the previous calculation.
2. The Assessor is required to determine whether there are any wholly unimproved parcels within a fire district's boundaries and remove the taxable value of those parcels from the district's total taxable value for their general fund levy limit calculations.

Recommendations

1. The Department recommends the Assessor provide additional education to the Ferry County Legislative Authority with regards to the information included in their resolution, which states the dollar and percentage of increase from the previous year's levy amount.
2. The Department recommends the Assessor notify the Stevens County Assessor of their limitations regarding the number of digits past the decimal point in the levy rate that their computer system will allow.
3. The Department recommends the Assessor update the Tax Code Area Rates for 2024 Collection document, listed on the county website, and the reports used to certify the tax roll to the Ferry County Treasurer (Treasurer) to reflect the State School Levy Part 2 as a regular levy.

Requirement 1 – Statutory maximum levy rate for cities and towns annexed to a fire/library district

Requirement

The Assessor is required to calculate the statutory maximum rate limit for each regular levy. To do this for cities or towns annexed to a fire and or library district or participate in a regional fire service authority district, the Assessor must deduct the actual rate levied by the fire, library, or regional fire service authority district from \$3.60. If the city or town has a firefighters' pension fund, an additional \$.225 is added to the previous calculation.

What the law says

When a city or town is annexed to a fire and or library district, or participates in a regional fire service authority, the city or town's statutory maximum levy rate is \$3.60 per thousand dollars assessed value, less the actual levy rate of the fire, library district, and or regional fire service authority district for that particular year, plus an additional \$0.225 per thousand dollars assessed value if the city or town has a firefighters' pension fund (RCWs 52.04.081, 41.16.060, 84.52.044, and 27.12.390).

What we found

The City of Republic (CR) levy calculation worksheet reviewed by the Department used an incorrect statutory maximum levy rate of 3.60 to determine the lesser of the levy limitations for the 2024 tax year. Since the CR is annexed to the North Central Library District (NCL) the statutory maximum levy rate is calculated by subtracting the NCL levy rate from \$3.60. The correct statutory maximum levy rate is \$3.3353867495.

The Assessor included a note on the \$5.90 aggregate limit verification stating that the CR shares their levy limit of \$3.60 with the library district. It is unclear to the Department why the library district levy rate was not included in the statutory maximum rate calculation on the CR levy calculation worksheet.

Since the statutory maximum was not the lesser of the levy limitations there was no levy error.

Action needed to meet requirement

The Assessor is required to take the following action:

- Calculate the statutory maximum rate each year for the cities and towns annexed to a library, fire district, or participate in a regional fire protection authority, beginning with the \$3.60 statutory maximum rate allowed. Then, deduct the actual rate of the annexed library or regional fire protection authority district. Add an additional \$.225 to the statutory maximum rate if the city has a firefighters' pension fund.

Requirement 1 – Statutory maximum levy rate for cities and towns annexed to a fire/library district, continued

Why it's important

The statutory maximum levy rate for cities annexed to a fire or library district must be calculated each year to ensure the city is not levying more or less than the law allows.

Requirement 2 – Wholly unimproved parcels

Requirement

The Assessor is required to determine whether there are any wholly unimproved parcels within a fire district's boundaries and remove the taxable value of those parcels from the district's total taxable value for their general fund levy limit calculations.

What the law says

Physical inspection of all property in the county shall be accomplished on a proportional basis in cycle. The Assessor must determine any changes in the physical characteristics that affect value, at least once within a six-year time period. (WAC 458-07-015)

RCW 52.16.170 (1) states: *(1) If the lands are wholly unimproved, they shall be subject to forest protection assessments but not to fire protection district levies;*

RCW 76.04.005(23) defines unimproved lands;

(23) "Unimproved lands" means those lands that will support grass, brush and tree growth, or other flammable material when such lands are not cleared or cultivated and, in the opinion of the department, are a fire menace to life and property.

What we found

During this audit, the Department found that Fire District No. 14 (FD14) has the same tax base for their general and emergency medical services (EMS) levies. Typically, a fire district general levy and EMS levy does not share the same tax base since the general levy base does not include wholly unimproved parcels.

It is the duty of the Assessor to determine property characteristics, such as wholly unimproved parcels, and place values on all real and personal property within the county. When there are wholly unimproved parcels within a fire district, they are not subject to fire district general levies.

Action needed to meet requirement

The Assessor is required to take the following actions:

- Review the property characteristics to determine if there are wholly unimproved parcels, and remove their assessed value from the tax base for all fire district general levies within the county.
- If an incorrect taxable value base was used to determine the 2024 tax year levy limits, a levy error correction must be completed.

Why it's important

All taxpayers within a taxing district will pay an incorrect tax amount if the taxable assessed value is not accurate.

Recommendation 1 – Dollar and percentage of change resolution

Recommendation

The Department recommends the Assessor provide additional education to the Ferry County Legislative Authority with regards to the information included in their resolution, which states the dollar and percentage of increase from the previous year's levy amount.

What we found

The law requires the resolution for authorizing the dollar and percentage of change to the previous year's levy to be a separate resolution or ordinance for each taxing district (RCW 84.55.120(3)(a)).

The Ferry County Legislative Authority adopted Resolution 2023-30, which states the dollar and percentage of increase from the previous year's levy amounts for the County General District and County Road District. The resolution includes increases for the county general levy which includes veterans' assistance and mental health, and the county road levy. These are two separate taxing districts.

Action recommended

The Department recommends the Assessor:

- Provide additional education to the Ferry County Legislative Authority about increasing the previous year's levy amount for each taxing district. To increase the previous year's levy amount, each taxing district must adopt a separate ordinance or resolution that states the dollar and percentage of change. When a county general district and county road district wish to increase their levy amount from the previous year, they must each adopt a separate ordinance or resolution.

Why it's important

To ensure taxing districts are disclosing property tax increases, as required by statute.

Recommendation 2 – Uniform levy rate

Recommendation

The Department recommends the Assessor notify the Stevens County Assessor of their limitations regarding the number of digits past the decimal point in the levy rate that their computer system will allow.

What we found

The Stevens County Assessor certified levy rates to the Assessor with twelve digits past the decimal point. Due to software restraints, the Assessor implemented a levy rate with only ten digits past the decimal point for School District No. 212.

Action recommended

The Department recommends the Assessor:

- Request the Stevens County Assessor certify a levy rate containing no more than ten digits after the decimal to accommodate the software restraints. The Assessor should make this request to other county assessors or taxing districts that certify levy rates with more than ten digits to Ferry County.

Why it's important

The Washington State Constitution requires fair and equitable taxation for all taxpayers within a taxing district. A uniform levy rate, within a taxing district, ensures taxpayers are paying the correct amount of property tax.

Recommendation 3 – Assessor’s reports

Recommendation

The Department recommends the Assessor update the Tax Code Area Rates for 2024 Collection document, listed on the county website, and the reports used to certify the tax roll to the Ferry County Treasurer (Treasurer) to reflect the State School Levy Part 2 as a regular levy.

What we found

The Assessor creates a yearly list of the taxing districts that contains levy information and publishes it on the county’s website. The list for the 2024 tax year labels the State School Levy Part 2 as an excess levy. The State School Levy Part 2 is a regular levy.

The Assessor’s report used to certify the tax roll to the Treasurer also labels the State School Levy Part 2 as an excess levy, instead of a regular levy.

Action recommended

The Department recommends the Assessor:

- Change the Tax Code Area Rates for Collection to list the State School Levy Part 2 as a regular levy.
- Change the report used to certify the tax roll to the Treasurer to list the State School Levy Part 2 as a regular levy.

Why it’s important

Accuracy in the Assessor’s reports provides transparency and reduces confusion amongst taxpayers.

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 2025. 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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