Schedule Of Findings

1. The County Should Comply With The Statutory Requirements For Revaluation Of Real Property

The intent of the assessor's real property revaluation program is to physically inspect all taxable property at least every four years and to inspect new construction each year. The assessor's office has not been able to accomplish this. The assessor provided data as to the progress revaluations for 1993:

a. Of 8,331 parcels (1/4 of 33,324 parcels) scheduled for physical inspection, there remained 1,775 parcels not completed by roll closure.

b. There were no taxable parcels which were statistically updated.

c. The new construction assessment program is not current. We were unable to list any new construction other than what was appraised on cycle during the year (1993). Assistance provided by the Department of Revenue appraised nearly 600 units and a backlog of two years. Other new construction such as garages, additions, remodels, and septic installations have not been listed for up to three years.

RCW 84.41.030 states:

> Each county assessor shall maintain an active and systematic program of revaluation on a continuing basis, and shall establish a revaluation schedule which will result in revaluation of all taxable real property within the county at least once each four years and physical inspection of all taxable real property within the county at least once each six years.

To accomplish these requirements, RCW 84.41.050 states:

> Each county assessor in budgets hereafter submitted, shall make adequate provision to effect county-wide revaluations as herein directed. The several boards of county commissioners in passing upon budgets submitted by the several assessors, shall authorize and levy amounts which in the judgment of the board will suffice to carry out the directions of this chapter.

Because the assessor is not meeting the statutory revaluation requirements, not all taxable property and new construction on the tax rolls is assessed at market value. Substantial revenue is lost to the county, taxing districts, and the state when new construction is not added to the rolls and owners of existing property must pay a disproportionate share of the tax burden.

Taxing districts are impacted by the delay in revaluations and in delays in new

construction being added to the rolls due to the tax levies being based upon noncurrent valuations. For rising valuation areas, the tax levy would be undervalued.

A 1994 study performed by the Department of Revenue on the county assessor's office indicates that the office is significantly understaffed as compared to other counties. Per their study:

> . . . Pacific county averages 4,355 total parcels per staff as compared to an average of 2,350 for the other four-year counties. On an annual basis, each Pacific County appraiser is responsible for 2,900 appraisals per year compared with an average of 1,350 in the other counties.
>
> . . . Standards of practice in appraisal reflect a history of resource shortage. Maintenance of high standards is difficult in the short-term in view of the current workload and staff level.

Per the assessor, the office had ten staff members in 1974 and had eight in 1993.

The study further indicates that the assessor's office lacks an effective and efficient computer system:

> . . . The current system fails to leverage available data and personnel and actually hinders key operations. In addition, documentation, training, and support are currently not available.

We recommend the Pacific County Commissioners provide the assessor with resources sufficient to accomplish the statutory requirements for valuation and revaluation of real property.

2. The County Should Provide Accurate Data For The Calculation Of Limitation Upon Regular Property Taxes

Our review of Pacific County's calculation of the limitations upon regular property taxes indicated that the 106 percent levy lid has been calculated incorrectly for its taxing districts. Because the 106 percent is an annual calculation, errors are compounded over time.

It was also determined that the 106 percent calculation was performed by the state Department of Revenue and later by a representative of the board of county commissioners. The documentation and worksheets to support those calculations are unavailable to verify the source of the data. The county assessor has performed the calculation function since 1992.

The incorrect 106 percent levy limits were caused by the following. First, incorrect figures were carried forward from year to year for some taxing districts, causing either too high or too low of a levy to be authorized. Secondly, in some cases, incorrect calculations were made on the utilities valuation component when values decreased. Thirdly, there was not a systematic or adequate review to check the accuracy of the calculation by other individuals.

RCW 84.55.010, 84.55.092, and 84.55.100 control the calculation for the 106 percent levy lid.

Property tax limitations are prescribed by RCW 84.55.010:

> . . . the levy for a taxing district in any year shall be set so that the regular property taxes payable in the following year shall not exceed one hundred six percent of the amount of regular property taxes lawfully levied for such district in the highest of the three most recent years in which such taxes were levied for such district plus an additional dollar amount calculated by multiplying the increase in assessed value in that district resulting from new construction, improvements to property, and any increase in the assessed value of state-assessed property by the regular property tax levy rate of that district for the preceding year.

RCW 84.55.092 provides for a protection of future levy capacity should a taxing district reduce its tax levy below the level it otherwise could impose.

Per RCW 85.55.100:

> The property tax limitation contained in this chapter shall be determined by the county assessors of the respective counties in accordance with the provisions of this chapter . . . .

In addition to the 106 percent levy lid, each taxing district is limited statutorily by a per/$1,000 of valuation, as well as a statutory limit (per/$1,000 of valuation) on the cumulative county-wide tax. In situations where property values are stagnant, it is quite common for the 106 percent lid to be above the per/$1,000 limit. In environments of increasing property values, the 106 percent plays a more important role and may even be the deciding levy limit factor.

Errors in calculating the 106 percent levy lid may cause the certified levy to be in error when the 106 percent lid is the deciding levy limit factor. Taxing districts may unwittingly levy amounts under or over the statutory limits.

We recommend the county assessor do the following:

a. Reconstruct and review the 106 percent levy lid calculation since the 1986 inception date.

b. Incorporate the reconstructed 106 percent levy lid data for the next annual levy. (Levy in 1995 for 1996 collections.)

c. Annually perform a systematic review of the 106 percent calculation to prevent future errors.

d. Maintain control of the calculation documentation in a form suitable for supporting historical archives and audit.

3. The County Should Improve Its Annual Report Preparation

RCW 43.09.230 states in part:

> The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each year, in accordance with the forms and methods prescribed by the State Auditor, which shall be uniform for all accounts of the same class.
>
> Such reports shall be prepared, certified and filed with the division within one hundred fifty days after the close of each fiscal year.

The reporting criteria established by the State Auditor's Office requires counties with populations in excess of 18,000 to prepare modified accrual basis financial statements, in accordance to generally accepted accounting principles (GAAP).

The financial statements for the initial filings for 1992 and 1993 were incomplete as to the prescribed reports required. An amended filing for the remainder of the required reports occurred substantially after the filing deadline.

In our prior audit report of the county (1990 and 1991), we reported that the county should file timely financial reports and should prepare its financial statements based on GAAP.

The amended filing by the county was due to information needed from various departments for adjustments and corrections which were not available for the original report filings and added preparation time needed for the required financial statements. The county did not anticipate the time and research needed to prepare these (GAAP) statements.

Untimely and incomplete financial reports restricts the access of financial information to the county commissioners, the public, and state and federal agencies; it also delays the State Auditor's Office in compiling statistical and financial information required by the state legislature.

We recommend that the county comply with statutory requirements for financial reporting and take the necessary action to provide resources needed to supply the departmental information and for the report preparation.