

STATE OF CALIFORNIA
Report to the California State Legislature
PROPERTY TAX APPORTIONMENTS

Calendar Year 2015



BETTY T. YEE
California State Controller

May 2016



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California State Controller

May 3, 2016

To: Members of the California State Legislature and the People of California

**SUBJECT: Property Tax Apportionments Report to the Legislature
for Calendar Year 2015**

I am pleased to present the Property Tax Apportionments Report for calendar year 2015. This report, prepared pursuant to Government Code section 12468, is intended to help mitigate problems associated with the counties' apportionment and allocation of property tax revenues.

The State Controller's team completed audits of 7 of the 58 counties in the State of California, and found the audited counties generally to be in compliance with the legal requirements for allocating property tax revenues. However, this report notes specific problem areas related to individual counties.

I hope you find the report informative and useful for future policy decisions. If you have any questions regarding this report, please contact Jeffrey Brownfield, Chief, Division of Audits, at (916) 324-1696.

Sincerely,

Original signed by

BETTY T. YEE

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Executive Summary

This report summarizes the results of the State Controller's Office (SCO) audit of county property tax apportionments and allocations during the 2015 calendar year. After the passage of Proposition 13 in 1978, the California Legislature enacted new methods for allocating and apportioning property tax revenues to local government agencies and public schools. The main objective was to provide local agencies with a property tax base that would grow as assessed property values increase.

Property tax revenues that local governments receive each year are based on the amount received in the prior year plus a share of the property tax growth within their boundaries. Property tax revenues then are apportioned and allocated to local agencies and schools using prescribed formulas and methods defined in the California Revenue and Taxation Code. This methodology commonly is referred to as the AB 8 process or the AB 8 system. The method has been further refined in subsequent laws passed by the legislature.

SCO's property tax audit program began on July 1, 1986, pursuant to California Revenue and Taxation Code section 95.6 (now Government Code section 12468). The statute mandates that SCO perform audits of the allocation and apportionment of property tax revenues by counties and make specific recommendations to counties concerning their property tax administration. The statute also specifies that SCO is to prepare an annual report to the Legislature summarizing the results of its findings under this audit program.

SCO developed and implemented a comprehensive audit program that includes, but is not limited to, a detailed analysis of past and current requirements of property tax laws and an examination of property tax systems, processes, and records at the county level. Each audit encompasses an evaluation of a county's property tax apportionment methodology, allocation procedures, and compliance with applicable laws and regulations. SCO applied procedures considered necessary and appropriate to provide a basis for reporting on the areas examined.

Government Code section 12468 requires that audits be conducted periodically for each county according to a prescribed schedule based on county population. During 2015, SCO completed audits of seven counties' property tax apportionment and allocation systems, processes, and records. The seven counties are El Dorado, Glenn, Madera, Plumas, San Bernardino, San Luis Obispo, and Yolo.

Current statutes do not allow counties to charge school and community college districts, the county superintendents of schools, and/or the Educational Revenue Augmentation Fund (ERAF) for property tax administrative costs. The Legislature may wish to consider legislation to address an apparent conflict between Revenue and Taxation Code section 95.3 and Health and Safety Code sections 34183 and 34188, which may indirectly charge those costs to school and community college districts, the county superintendents of schools, and/or the ERAF.

As a part of the audits, SCO performed follow-up reviews to ensure that the counties properly addressed the findings identified in previous SCO audit reports.

Except for the findings and recommendations noted in this report, the processes used by the seven counties audited during 2015 appear to comply with the requirements for the apportionment and allocation of property tax revenues.

The audit report findings broadly are classified as follows:

Prior Audits

There were no unresolved issues from prior audits.

Current Audits

- Glenn County AB 8 property tax revenue did not reconcile to 1% of assessed value.
- Glenn and Plumas counties had factor or revenue carry-forward errors in the computation of each of their annual tax increments.
- Glenn, Madera, and Plumas counties had procedural issues regarding jurisdictional changes.
- Madera County carried forward incorrect prior-year revenue amounts and included the railroad assessed value in the unitary and operating nonunitary apportionment process.
- Glenn County did not properly compute unitary excess growth for all years.
- Glenn, Madera, Plumas, and San Bernardino counties failed to properly establish the base revenue amounts for the unitary railroad assessed value apportionment process.
- San Bernardino County had several computation errors in the unitary and operating nonunitary and pipeline apportionment process.
- San Bernardino County inappropriately apportioned unitary railroad revenue using AB 8 factors for three years.
- San Bernardino County included the qualified electric property values in the unitary and operating nonunitary apportionment computations.

- El Dorado and Plumas counties have unresolved administrative cost issues with cities.
- Glenn County had administrative cost share computation errors.
- Glenn County had ERAF growth computation errors in two years.
- Madera and Plumas counties had growth computation errors in their Vehicle License Fee (VLF) computations.

Overview

Introduction

This report presents the results of seven audits of county property tax apportionments and allocations completed by the State Controller's Office (SCO) in calendar year 2015. The following counties were audited: El Dorado, Glenn, Madera, Plumas, San Bernardino, San Luis Obispo, and Yolo. Government Code section 1268 requires that such audits be conducted periodically for each county according to a prescribed schedule based on county population. The purpose of the audits is to help mitigate problems associated with property tax apportionment and allocation processes.

Except for the findings and recommendations noted in this report, the seven counties audited generally complied with the requirements for the apportionment and allocation of property tax revenues.

Background

After the passage of Proposition 13 in 1978, the California Legislature enacted new methods for allocating and apportioning property tax revenues to local government agencies and public schools. The main objective was to provide local agencies with a property tax base that would grow as assessed property values increase. These methods have been further refined in subsequent laws passed by the legislature.

One key law was Assembly Bill 8 (AB 8), which established the method of allocating property taxes for fiscal year (FY) 1979-80 (base year) and subsequent fiscal years. The methodology is commonly referred to as the AB 8 process or the AB 8 system.

Property tax revenues that local governments receive each fiscal year are based on the amount received the prior year plus a share of the property tax growth within their boundaries. Property tax revenues then are apportioned and allocated to local agencies and schools using prescribed formulas and methods defined in the California Revenue and Taxation Code.

The AB 8 process involves several steps, including the transfer of revenues from schools to local agencies and the development of the tax rate area annual tax increment growth (ATI) factors, which determine the amount of property tax revenues allocated to each entity (local agencies and schools). The total amount allocated to each entity is then divided by the total amount to be allocated to all entities to determine the AB 8 factor (percentage share) for each entity for the year. The AB 8 factors are computed each year for all entities using the revenue amounts established in the prior year. These amounts are adjusted for growth annually using ATI factors.

Subsequent legislation removed revenue generated by unitary and operating nonunitary property and pipelines from the AB 8 system. This revenue now is allocated and apportioned under a separate system.

Other legislation established an Educational Revenue Augmentation Fund (ERAF) in each county. Most local government agencies are required to transfer a portion of their property tax revenues to the ERAF. The fund subsequently is allocated and apportioned by the county auditor according to instructions received from the local superintendent of schools or chancellor of the California community colleges.

Revenues generated by the different types of property tax are allocated and apportioned to local agencies and schools using prescribed formulas and methods, as defined in the Revenue and Taxation Code. Taxable property includes land, improvements, and other properties that are accounted for on the property tax rolls, which are primarily maintained by the county assessor. Tax rolls contain an entry for each parcel of land, including parcel number, owner's name, and value. The types of property tax rolls are:

- *Secured Roll*—Property that, in the opinion of the assessor, has sufficient value to guarantee payment of the tax levies and that if the taxes are unpaid, the obligation can be satisfied by the sale of the property by the tax collector.
- *Unsecured Roll*—Property that, in the opinion of the assessor, does not have sufficient “permanence” or have other intrinsic qualities to guarantee payment of taxes levied against it.
- *State-Assessed Roll*—Utility properties, composed of unitary and operating nonunitary value, assessed by the State Board of Equalization.
- *Supplemental Roll*—Property that has been reassessed due to a change in ownership or the completion of new construction, where the resulting change in assessed value is not reflected in other tax rolls.

Audit Program

The property tax audit program began on July 1, 1986, under Revenue and Taxation Code section 95.6 (now Government Code section 12468). The statute mandates that the State Controller periodically perform audits of the allocation and apportionment of property tax revenues by counties and make specific recommendations to counties concerning their property tax administration. However, the State Controller's authority to compel resolution of audit findings is limited to those findings involving an overpayment of state funds.

Overpayment of State General Fund money is recoverable by the state under several provisions of law. In addition, the State Controller has broad authority to recover overpayments made from the State Treasury. If an audit finds overpayment of state funds, and the state agency that made or authorized the payment does not seek repayment, SCO is authorized to pursue recovery through a variety of means (Government Code sections 12418–12419.5). The specific remedy employed by SCO depends on the facts and circumstances of each situation.

SCO developed and implemented a comprehensive audit program to carry out the mandated duties. The comprehensive audit program includes, but is not limited to, a detailed analysis of past and current requirements of property tax laws and an examination of property tax records, processes, and systems at the county level.

These property tax apportionment audits have identified and aided in the correction of property tax underpayments to public schools. The underallocation of property taxes by individual counties to their public schools results in a corresponding overpayment of state funds to those schools by the same amount. This, in turn, causes public schools in other counties to receive less state funding because the total funds available are limited. Subsequent legislation forgave some counties for underpayments to schools without requiring repayment, or assessment of penalties. However, the legislation required that the cause of the underallocations, as identified by the audits, be corrected.

Audit Scope

Each audit encompasses an evaluation of a county's property tax apportionment methodology, allocation procedures, and compliance with applicable laws and regulations. SCO auditors used procedures considered necessary to provide a basis for reporting on the areas examined. In conducting the audits, the auditors focused on the following areas to determine whether:

- The apportionment and allocation of the ATI was in accordance with Revenue and Taxation Code sections 96 through 96.5;
- The methodology for redevelopment agencies' base-year calculations and apportionment and allocation of the ATI was in accordance with Revenue and Taxation Code sections 96.4 and 96.6, and Health and Safety Code sections 33670 through 33679;
- The effect of jurisdictional changes on base-year tax revenues and the ATI was in accordance with Revenue and Taxation Code section 99;
- The apportionment and allocation of property tax revenues from supplemental assessments was in accordance with Revenue and Taxation Code sections 75.60 through 75.71;
- The apportionment and allocation of state-assessed unitary and operating nonunitary property taxes was in accordance with Revenue and Taxation Code section 100;
- The computation and apportionment of property tax revenues to low- and no-tax cities was in accordance with Revenue and Taxation Code section 98;
- The computation and collection of local jurisdictions' property tax administrative costs was in accordance with Revenue and Taxation Code sections 95.2 and 95.3;

- The computation and apportionment of property tax revenues to the ERAF was in accordance with Revenue and Taxation Code sections 97 through 97.3; and
- Payments from the ERAF were made in compliance with Revenue and Taxation Code section 97.68, commonly known as the Triple Flip, and section 97.70, commonly known as the VLF Swap.

Conclusion

The property tax allocation and apportionment system generally is operating as intended. In the interest of efficiency and cost control for both the counties and the state, SCO submits the Summary of Findings and Recommendations in this report to assist in initiating changes that will help improve the system.

Summary of Findings and Recommendations

Introduction

Except for the findings and recommendations cited in this report, the audit reports issued in 2015 indicated that the seven audited counties generally complied with the legal requirements for the apportionment and allocation of property tax revenues. However, problem areas were identified and are described below. Recommendations to resolve the problems are included within the individual county findings.

Unresolved Prior Audit Findings

There were no unresolved issues from prior audits.

Computation of Annual Tax Increment Factors

The Revenue and Taxation Code requires that each jurisdiction in a tax rate area (TRA) must be allocated property tax revenues in an amount equal to the property tax revenues allocated to it in the prior fiscal year. The difference between this amount and the total amount of property tax assessed in the current year is known as the annual tax increment (ATI). The computation of the annual tax increment results in a percentage that is used to allocate growth in assessed valuation to a county's local government jurisdictions and schools from the base year forward. Revenue and Taxation Code sections 96 through 96.5 prescribe this methodology. Some exceptions to this allocation are contained in the Revenue and Taxation Code for specified TRAs.

Glenn County AB 8 property tax revenue did not reconcile to 1% of assessed value (AV).

Glenn County did not adjust AB 8 base revenue to account for the removal of base AV to the railroad unitary apportionment process.

Plumas County had minor ATI errors for three small school districts.

Jurisdictional Changes

Revenue and Taxation Code section 99 prescribes the procedures a county must perform in order to make adjustments for the apportionment and allocation of property taxes resulting from changes in jurisdictional controls or changes in responsibilities of local government agencies and schools. The statute requires a county to prepare specific documentation that takes into consideration services and responsibilities.

Glenn County had computation and transfer errors in its implementation of jurisdictional changes.

Madera County had some transfer and map errors.

Plumas County did not complete base revenue adjustments for all changes.

Supplemental Property Tax Apportionments

When a revaluation of property occurs during the fiscal year due to changes in ownership or completion of new construction, supplemental taxes usually are levied on the property. Revenue and Taxation Code sections 75.70, 75.71, and 100.2 provide for the apportionment and allocation of these supplemental taxes.

No errors were noted in this area.

Supplemental Property Tax Administrative Fees

In addition to the fee allowed by Revenue and Taxation Code section 95.3 for the administration of the secured tax roll, Revenue and Taxation Code section 75.60 allows the charging of a fee for the administration of the supplemental tax roll. Once a county adopts a method of identifying the actual administrative costs associated with the supplemental roll, it is allowed to charge an administrative fee for supplemental property tax collections. This fee is not to exceed 5% of the supplemental taxes collected.

No errors were noted in this area.

Unitary and Operating Nonunitary Property Taxes

The process for apportioning and allocating property taxes from certain utility companies functions through the unitary and operating nonunitary tax system employed by the State Board of Equalization. Unitary properties are those properties on which the State Board of Equalization “may apply the principle of unit valuation in valuing properties of an assessee that are operated as a unit in the primary function of the assessee” (i.e., public utilities). The Revenue and Taxation Code further states, “Operating nonunitary properties are those that the assessee and its regulatory agency consider to be operating as a unit, but the board considers not part of the unit in the primary function of the assessee.” Revenue and Taxation Code section 100 prescribes the procedures counties must perform to allocate unitary and operating nonunitary property taxes beginning in FY 1988-89.

Glenn County used incorrect AB 8 apportionment factors to compute excess 102% growth apportionment factors.

Madera County included the regulated railroad unitary values in the unitary and operating nonunitary apportionment process.

San Bernardino County did not include unitary pipeline revenue in factor calculations, but did apportion pipeline revenue using unitary and operating nonunitary factors. The county also used incorrect AV in two years and included qualified electrical property in its unitary calculations.

Unitary Railroad Property Taxes

The process for apportioning and allocating property taxes from certain regulated railway companies functions through the unitary railroad tax system employed by the State Board of Equalization. Unitary railroad properties are defined in Revenue and Taxation Code section 723. Revenue and Taxation Code section 100.11 prescribes the procedures counties must perform to allocate unitary railroad property taxes beginning in FY 2007-08.

Glenn County made an error in the Educational Revenue Augmentation Fund (ERAF) portion of the railroad base revenue computation.

Madera County did not compute the base-year revenue properly and did not carry prior-year revenue forward to future years.

Plumas County did not compute the base-year revenue properly.

San Bernardino County did not compute the base revenue properly and used AB 8 factors to apportion railroad revenues for several years.

Unitary Qualified Electric Property Taxes

The process for apportioning and allocating property taxes from certain qualified electric properties, owned by a public utility, functions through the property tax system used by the State Board of Equalization. Revenue and Taxation Code section 100.95 prescribes the procedures counties must perform to allocate qualified electric property taxes beginning in FY 2007-08.

San Bernardino County did not properly compute base revenue and growth for electric properties, which were incorrectly included in the regular unitary apportionment process.

Property Tax Administrative Fees

Counties are allowed to collect from each appropriate jurisdiction, that jurisdiction's share of the cost of assessing, collecting, and apportioning property taxes. Revenue and Taxation Code section 95.3 prescribes the requirements for computing and allocating property tax administrative fees (PTAF). The offices of the county assessor, tax collector, assessment appeals board, and auditor generally incur county property tax administrative costs. The county generally is allowed to be reimbursed for these costs.

Prior to FY 2006-07, counties could not impose a fee, charge, or other levy on a city, nor reduce a city's allocation of ad valorem property tax revenue, in reimbursement for services performed by the county under Revenue and Taxation Code sections 97.68 and 97.70. Pursuant to Revenue and Taxation Code section 97.75, beginning with FY 2006-07, a county may impose a fee, charge, or other levy on a city for these services, but the fee, charge, or other levy shall not exceed the actual cost of providing the services.

In El Dorado and Plumas counties, there were unresolved issues concerning the PTAF collection process for some of the cities within each county.

Glenn County had administrative cost share errors due to the use of incorrect revenue amounts.

Educational Revenue Augmentation Fund

The legal requirements for the local agency shift of property tax revenues to the ERAF are contained in Revenue and Taxation Code sections 97 through 97.3. Beginning in FY 1992-93, each local agency is required to shift an amount of property tax revenues to the ERAF using formulas prescribed in the Revenue and Taxation Code. The property tax revenues in the ERAF subsequently are allocated to schools and community colleges using factors supplied by the county superintendent of schools or chancellor of the California community colleges.

Since the passage of the ERAF shift requirements, the Legislature has enacted numerous bills that affect the shift requirements for various local government agencies. One bill was AB 1589 (Chapter 290, Statutes of 1997). This bill primarily addressed three areas related to the ERAF shift:

- ERAF shift requirements for certain county fire funds for FY 1992-93 (Revenue and Taxation Code section 97.2(c)(4)(B));
- A special provision for counties of the second class (population of at least 1,400,000 and fewer than 4,000,000) when computing the ERAF shift amount for county fire funds in FY 1993-94 (Revenue and Taxation Code section 97.3(c)(4)(A)(I)); and
- ERAF shift requirements for county libraries for FY 1994-95 and subsequent years.

After the passage of AB 1589, the State Controller requested advice from the California Attorney General regarding the application of Chapter 290, Statutes of 1997. The Attorney General responded in May 1998.

The Attorney General advised that the amendment to Revenue and Taxation Code section 97.2(c)(4)(B) significantly narrowed the scope of the exemption granted by the code section and was to be given retroactive application. The result is that many counties and special fire protection districts that were able to claim an exemption under the section as it formerly read, lost the exemption retroactive to FY 1992-93. Consequently, those counties and special districts were required to shift additional funds to the county ERAF.

In response to the Attorney General's advice, and noting the severe fiscal impact the loss of the exemption would have on local government agencies, SCO recommended that the Legislature consider restoring the exemption previously granted to fire protection districts, which was eliminated as a result of AB 1589 (Chapter 290, Statutes of 1997). Subsequently, the Legislature enacted AB 417 (Chapter 464, Statutes of 1999), restoring the exemption to fire districts.

Glenn County had ERAF growth errors in two years.

**Redevelopment
Agencies**

The legal requirements for the apportionment and allocation of property tax to redevelopment agencies (RDAs) are found in Revenue and Taxation Code sections 96.4 and 96.6, and Health and Safety Code sections 33670 through 33679. California community redevelopment law entitled a community redevelopment agency to all of the property tax revenue realized from growth in values since the redevelopment agency's project area inception, with specified exceptions.

No errors were noted in this area.

**Redevelopment
Property Tax Trust
Fund**

ABX1 26 (Chapter 5, Statutes of 2011) and AB 1484 (Chapter 26, Statutes of 2012), added and amended sections of the Health and Safety Code and mandated the dissolution of redevelopment agencies. Under ABX1 26, a county auditor-controller is required to "create within the county treasury a Redevelopment Property Tax Trust Fund (RPTTF) for the property tax revenues related to each former redevelopment agency, for administration by the county auditor-controller." Distributions from the RPTTF are made in accordance with specified priorities in Health and Safety Code section 34183.

Excess revenues in the RPTTF are distributed according to the requirements of Health and Safety Code section 34188. Proceeds from asset sales are to be transferred to the county auditor-controller for distribution as property tax proceeds. Unencumbered balances of redevelopment agency funds, including housing funds, are to be remitted to the county auditor-controller for distribution by the auditor-controller using the same methodology for allocation and distribution of property tax revenues as provided in section 34188.

No errors were noted in this area.

**Tax Equity
Allocation**

Revenue and Taxation Code section 98 and the Guidelines for County Property Tax Administration Charges and "No-/Low-Property-Tax Cities" Adjustment, provided by the County Accounting Standards and Procedures Committee, provide a formula for increasing the amount of property tax allocated to a city that had either no- or low-property-tax revenues.

No errors were noted in this area.

**Sales and Use
Tax/Vehicle License
Fee Adjustments**

Sections 97.68 and 97.70 of the Revenue and Taxation Code require allocation of ad valorem property tax revenue by the ERAF to Sales and Use Tax and Vehicle License Fee (VLF) adjustment amounts. If there is not enough ad valorem property tax revenue in the ERAF, the difference shall be reduced from all school districts and community college districts that are not excess tax school entities.

Madera and Plumas counties had growth computation errors resulting in overpayment and/or underpayment of VLF compensation to cities and counties.

**Negative
Bailout (SB 85)**

After the passage of Proposition 13, the Legislature passed SB 154 (Chapter 292, Statutes of 1978), which provided for the distribution of state assistance, or bailout, to make up, in part, for local property tax losses. The relief for counties was \$436 million in cash grants plus the state's assumption of \$1 billion associated with mandated health and welfare programs.

In the second year following the passage of Proposition 13, the Legislature passed AB 8 (Chapter 282, Statutes of 1979), which provided for a long-term solution consisting of a one-time adjustment (shift) that created a new property tax base for each local agency.

Counties received 100% of their SB 154 block grants and a small adjustment for the Aid to Families with Dependent Children, minus the amount of the indigent health block grant. For some counties, the value of the indigent health block grant was so great that it exceeded the value of the SB 154 block grant. In those cases, the AB 8 shift resulted in a reduction of the property tax base instead of an increase. These counties are referred to as negative bailout counties. For all but the negative bailout counties, the increased property tax was deducted from the local schools' property tax. For the negative bailout counties, school property taxes should have been increased by the negative bailout amount.

Subsequently, it was discovered that the negative bailout counties were not transferring the required property taxes to the schools. Consequently, the Legislature passed AB 2162 (Chapter 899, Statutes of 1983), forgiving prior allocation errors but requiring future payments to be made in accordance with statutes.

The negative bailout amount has grown each year as the assessed value of property in the counties has grown. In 2010, the Legislature passed SB 85 (Chapter 5, Statutes of 2010), which did not eliminate the negative bailout amount, but capped it according to a specified formula.

There were no errors noted in this area.

**Item for
Legislative
Consideration**

Revenue and Taxation Code section 95.3 allows a county to charge for the cost of administering the property tax program in the county. While the county computes the schools', community college districts', county schools superintendent's, and ERAF's shares of these costs, statute does not allow the county to collect these shares. School entities and the ERAF thus are held harmless from administrative cost charges. The Legislature has stated its intent to reimburse the costs attributable to school entities and the ERAF "by a future act of the Legislature that makes an appropriation for purposes of that reimbursement."

Health and Safety Code section 34183 allows the county auditor-controller to deduct from the Redevelopment Property Tax Trust Fund, administrative costs allowed under Health and Safety Code section 34182, and Revenue and Taxation Code section 95.3, prior to making the prioritized distributions that follow. As a result, any balance to be distributed pursuant to Health and Safety Code section 34188 is reduced, thus reducing shares of residual revenues for all taxing agencies (including schools) and the ERAF. Consequently, schools and the ERAF are paying a portion of the administrative costs.

Recommendation

As the Health and Safety Code sections referred to above are not appropriations, the Legislature may wish to consider legislation regarding the charging of administrative costs allowed under Health and Safety Code section 34182 and Revenue and Taxation Code section 95.3, to school entities and the ERAF as a result of Health and Safety Code sections 34183 and 34188.

Findings of Individual County Audits

Introduction

The findings and recommendations included below are presented as they were stated in the County Property Tax Apportionment and Allocation reports issued by the State Controller's Office (SCO) in calendar year 2015. Unless otherwise indicated, the counties agreed with the findings and recommendations.

These findings and recommendations are solely for the information and use of the California Legislature, the respective counties, the Department of Finance, and SCO; they are not intended to be and should not be used by anyone other than those specified parties. This restriction is not intended to limit distribution of this report or the respective audit reports, which are a matter of public record.

El Dorado County (July 1, 2006, through June 30, 2013)

Follow-up on prior audit findings

The county has satisfactorily resolved the findings noted in our prior audit report, issued January 2008.

Our audit found that the county complied with California statutes for the allocation and apportionment of property tax revenues for the period audited.

Glenn County (July 1, 2007, through June 30, 2014)

Follow-up on prior audit findings

The county has satisfactorily resolved the findings noted in our prior audit report, issued January 28, 2009.

FINDING 1— Calculation and distribution of annual tax increment

The county made the following errors when computing the countywide apportionment (AB 8) factors:

- For fiscal year (FY) 2007-08 through FY 2013-14, the AB 8 amounts could not be reconciled to the 1% of the assessor's certified assessed values. The totals between systems appear to differ for each fiscal year.
- For FY 2007-08 through FY 2009-10, the AB 8 allocation (current revenue) amounts were not recomputed for the unitary railroad adjustment; therefore, incorrect increment growths were used to compute the AB 8 factors.

Requirements for the apportionment and allocation of the annual tax increment (ATI) are found in Revenue and Taxation Code sections 96 through 96.5. The annual increment of property tax, which is the change in assessed value from one year to the next, is allocated to tax rate areas (TRA) on the basis of each TRA's share of the incremental growth in assessed valuations. The tax increment is then multiplied by the jurisdiction's ATI apportionment factors for each TRA. These factors were developed in the 1979-80 base year and are adjusted for jurisdictional changes. The tax increment is then added to the tax computed for the prior fiscal year to develop the apportionment for the current fiscal year.

Recommendation

The county should recalculate the AB 8 factors and correct any misallocations of property tax revenues from FY 2007-08 through FY 2013-14 and from FY 2014-15 forward.

FINDING 2— Jurisdictional changes

The county made the following errors in calculating jurisdictional changes:

- Board of Equalization (BOE) Filing Nos. 2007-001 and 2010-003: The county incorrectly computed/implemented the jurisdictional changes by not following the agreements as defined in the Board of Supervisors, Glenn County, California, Resolution No. 2006-03 and No. 2009-56.
- BOE Filing No. 2008-010: The county followed the Board of Supervisors, California, Resolution No. 2008-10 as defined; however, the county incorrectly computed/implemented the jurisdictional change.

The legal requirements for jurisdictional changes are found in Revenue and Taxation Code section 99. A jurisdictional change involves a change in the organization or boundaries of a local government agency or school district. Normally, these are service area or responsibility changes between the local jurisdictions. As part of the jurisdictional change, the local government agencies are required to negotiate any exchange of base-year property tax revenue and ATI. After the jurisdictional change, the local agency whose responsibility increased receives additional ATI, and the base property tax revenues are adjusted according to the negotiated agreements.

Recommendation

The county should review the jurisdictional changes for all fiscal years, including those noted above, and correct any misallocated amounts.

**FINDING 3—
Unitary railroad
apportionment**

The county made the following errors in calculating the unitary railroad factors:

- In FY 2007-08, the county used incorrect Educational Revenue Augmentation Fund (ERAF) factors in its computation to establish the unitary railroad base.
- In FY 2012-13, the county used incorrect prior-year AB 8 factors for the excess growth calculation.

Requirements for the apportionment and allocation of unitary and operating nonunitary property taxes are found in Revenue and Taxation Code section 100.

Unitary properties are those properties on which the BOE “may use the principle of unit valuation in valuing properties of an assessee that are operated as a unit in the primary function of the assessee” (i.e., public utilities, railroads, or qualified electric properties). The Revenue and Taxation Code further states, “Operating nonunitary properties are those that the assessee and its regulatory agency consider to be operating as a unit, but the board considers not part of the unit in the primary function of the assessee.”

In FY 1988-89, the Legislature established a separate system for apportioning and allocating the unitary and operating nonunitary property taxes. The Legislature established the unitary and operating nonunitary base year and developed formulas to compute the distribution factors for the fiscal years that followed.

Recommendation

The county should re-compute the unitary railroad base and correct any misallocated amounts for all fiscal years noted above.

**FINDING 4—
Property tax
administrative costs**

The county made the following errors in calculating the property tax administration cost apportionment:

- In FY 2007-08, the county used incorrect unitary and unitary railroad factors.
- For FY 2008-09 through FY 2011-12, the county used incorrect unitary railroad factors.

Requirements for the reimbursement of county property tax administrative costs are found in Revenue and Taxation Code section 95.3. County property tax administrative costs generally are incurred by the assessor, the tax collector, the assessment appeals board, and the auditor. The county is allowed, depending on the fiscal year and any corresponding exclusions, to be reimbursed by local agencies and public schools for these administrative costs.

Recommendation

The county should recalculate the property tax administration factors using the correct unitary and unitary railroad factors for all fiscal years noted above, and return the total difference to each appropriate jurisdiction.

**FINDING 5—
Educational Revenue
Augmentation Fund**

The county made the following errors when computing the ERAF growth:

- In FY 2008-09, the ERAF shift was not carried forward correctly from the prior-year Shift Adjusted for Growth.
- In FY 2010-11, the ERAF shift for General Fund and City of Willows were not carried forward correctly from the prior-year Shift Adjusted for Growth (Schedule 1).

Requirements for the local agency shift of property tax revenues to the ERAF primarily are found in Revenue and Taxation Code sections 97.1 through 97.3. Beginning in FY 1992-93, most local agencies were required to shift an amount of property tax revenues to the ERAF using formulas detailed in the code. The property tax revenues in the ERAF are subsequently allocated to the public schools using factors supplied by the county superintendent of schools.

For FY 1992-93, the ERAF shift amount for cities was determined by adding a per capita amount to a percentage of property tax revenues received by each city. The amount for counties was determined by adding a flat amount, adjusted for growth, to a per capita amount. The amount for special districts was generally determined by shifting the lesser of 10% of that district's total annual revenues as shown in the FY 1989-90 edition of the State Controller's Report on Financial Transactions Concerning Special Districts, or 40% of the FY 1991-92 property tax revenues received, adjusted for growth. Specified special districts were exempted from the shift.

For FY 1993-94, the ERAF shift for cities and counties generally was determined by:

- Reducing the FY 1992-93 ERAF shift by the FY 1992-93 per capita shift;
- Adjusting the result for growth; and
- Adding the result to a flat amount and a per capita amount determined by the Department of Finance, adjusted for growth.

The FY 1993-94 ERAF shift for special districts, other than fire districts, was generally determined by:

- Multiplying the property tax allocation for FY 1992-93, pre-ERAF, by the Special District Augmentation Fund (SDAF) factor for the district effective on June 15, 1993;
- Adjusting this amount by subtracting the FY 1992-93 shift to the ERAF;

- If the above amount is greater than zero, adjusting this amount for FY 1993-94 growth (zero is used for negative amounts); and
- Adding this amount to the FY 1992-93 ERAF shift, adjusting for growth.

For fire districts, the FY 1993-94 ERAF shift generally was determined by:

- Deducting the FY 1992-93 ERAF shift for the district from the FY 1992-93 property tax allocation;
- Multiplying the result by the SDAF factor for the district effective on June 13, 1993 (net current-year bailout equivalent);
- For a district governed by a board of supervisors, deducting the amount received from the SDAF in FY 1992-93 from the net current-year bailout equivalent; or, for an independent district, deducting the amount received from the SDAF and the difference between the net current-year bailout equivalent and the amount contributed to the SDAF from the net current-year bailout equivalent;
- Adjusting this amount for growth; and
- Adding this amount to the FY 1992-93 ERAF shift, adjusted for growth.

For fiscal years subsequent to FY 1993-94, the amounts determined are adjusted for growth annually to determine the ERAF shift amounts for that year.

Recommendation

The county should review and correct the ERAF growth computation errors noted in FY 2008-09 and FY 2010-11.

County's Response

The county addressed the findings, as follows:

1. There were no errors for FY 2013-14 except for rolling forward prior-year errors.
2. The report states that the county complied with California statutes for apportionment and allocation of property tax for all periods examined. Therefore all findings were based on computational errors.
3. In the audit exit interview the county was advised that if the county corrected the computational and roll-forward errors prior to the draft report, those computational and roll-forward errors would not be treated as a finding.
4. The county did correct all such computational and roll-forward errors and did so well before the release date.
5. The county acknowledges that because of these corrections, there are/will be true-ups required with the various agencies.

SCO Comment

SCO advised that if the county corrected the findings, the corrective action would be noted in the final report.

SCO agrees with the county's corrective action. SCO will review the implementation of the corrections in the next audit.

Madera County (July 1, 2005, through June 30, 2014)**Follow-up on prior audit findings**

The county has satisfactorily resolved the findings noted in our prior audit report, issued July 2006.

**FINDING 1—
Jurisdictional changes**

In fiscal year (FY) 2010-11, the county transferred the assessed value and corresponding parcels for the sampled jurisdictional changes a year later than specified in the BOE change notice. More importantly, one of the transfers was made to an incorrect TRA. As the TRA has the same increment factors as the specified TRA, no increment impact will be noted. However, county maps will not agree with BOE maps.

The legal requirements for jurisdictional changes are found in Revenue and Taxation Code section 99. A jurisdictional change involves a change in the organization or boundaries of a local government agency or school district. Normally, these are service area or responsibility changes between the local jurisdictions. As part of the jurisdictional change, the local government agencies are required to negotiate any exchange of base-year property tax revenue and annual tax increment. After the jurisdictional change, the local agency whose responsibility increased receives additional annual tax increment, and the base property tax revenues are adjusted according to the negotiated agreements.

Recommendation

The county should reconcile mapping with BOE to correct the noted error.

County's Response

"The mismapping of parcels in fiscal year 2010-11, as referred to in the finding, was corrected in a subsequent fiscal year. The County's parcel mapping now agrees with BOE's mapping for Madera County."

SCO Comment

SCO agrees with the county's corrective action. SCO will review the implementation of the corrections in the next audit.

**FINDING 2—
Unitary and operating
nonunitary**

Beginning with FY 2006-07, the county carried forward incorrect prior-year revenues.

In FY 2007-08 through FY 2013-14, the county included railroad in the unitary calculations.

The county attempted to correct the unitary factor computations in 2014. In this correction, the computation for FY 2005-06 through FY 2006-07 and FY 2007-08 through FY 2008-09 was incorrect. The county carried forward incorrect prior-year revenues, resulting in incorrect computations for all following years. These changes have not been used to adjust prior allocations at this time.

Requirements for the apportionment and allocation of unitary and operating nonunitary property taxes are found in Revenue and Taxation Code section 100.

Unitary properties are those properties on which BOE “may use the principle of unit valuation in valuing properties of an assessee that are operated as a unit in the primary function of the assessee” (i.e., public utilities, railroads, or qualified electric properties). The Revenue and Taxation Code further states, “Operating nonunitary properties are those that the assessee and its regulatory agency consider to be operating as a unit, but the board considers not part of the unit in the primary function of the assessee.”

In FY 1988-89, the Legislature established a separate system for apportioning and allocating the unitary and operating nonunitary property taxes. The Legislature established the unitary and operating nonunitary base year and developed formulas to compute the distribution factors for the fiscal years that followed.

Recommendation

The county should re-compute unitary and operating nonunitary revenues for all fiscal years noted above.

County’s Response

“The County Auditor-Controller recalculated apportionments of Unitary and Operating Nonunitary revenues from 2006-07 through 2013-14. The recalculations result in the carryforward of correct prior year Unitary and Operating Nonunitary revenues to fiscal year 2014-15 apportionments. The recalculations produce immaterial reapportionments of Unitary and Operating Nonunitary revenues from 2006-07 through 2013-14.”

SCO Comment

SCO agrees with the county’s corrective action. SCO will review the implementation of the corrections in the next audit.

**FINDING 3—Unitary
railroad
apportionment**

The county did not properly establish the railroad property tax in FY 2007-08, as required. The county attempted to correct the railroad factor computation in 2014. The FY 2007-08 base-year computation was computed correctly; however, for FY 2008-09, the railroad computation did not carry forward prior-year revenues, including excess growth, as required. This practice was continued throughout the audit period. These changes have not been used to adjust prior allocations at this time.

Requirements for the apportionment and allocation of unitary and operating nonunitary property taxes are found in Revenue and Taxation Code section 100.

Unitary properties are those properties on which BOE “may use the principle of unit valuation in valuing properties of an assessee that are operated as a unit in the primary function of the assessee” (i.e., public utilities, railroads, or qualified electric properties). The Revenue and Taxation Code further states, “Operating nonunitary properties are those that the assessee and its regulatory agency consider to be operating as a unit, but the board considers not part of the unit in the primary function of the assessee.”

In FY 1988-89, the Legislature established a separate system for apportioning and allocating the unitary and operating nonunitary property taxes. The Legislature established the unitary and operating nonunitary base year and developed formulas to compute the distribution factors for the fiscal years that followed.

Recommendation

The county should re-compute the unitary railroad revenues for all fiscal years noted above.

County’s Response

“County Auditor-Controller recalculated apportionments of Railroad Unitary revenues from fiscal year 2007-08 through 2013-14. The recalculations result in the carryforward of correct prior year Railroad Unitary revenues to fiscal year 2014-15. The recalculations produce immaterial reapportionments of Railroad Unitary revenues from 2007-08 through 2013-14.”

SCO Comment

SCO agrees with the county’s corrective action. SCO will review the implementation of the corrections in the next audit.

**FINDING 4—
Vehicle Licensing Fee
adjustments**

The county used incorrect prior-year assessed values when calculating the vehicle licensing fee (VLF) swap growth in FY 2006/07, causing the VLF swap to be misallocated for FY 2006-07 forward in the amount of \$5,856,457 (owed from the ERAF).

Requirements for the ERAF adjustment for the VLF and sales and use tax (SUT) are found in Revenue and Taxation Code sections 97.68-97.70. In FY 2004-05, the county was given a VLF estimate that was to be transferred from the ERAF to the Vehicle License Fee Property Tax Compensation Fund, and eventually to the county and cities. In FY 2005-06, the county was given another estimate, including true-ups. In FY 2006-07 and subsequent years, the county calculates the VLF adjustment based on the prior-year VLF adjusted for growth. The growth for the county's VLF should be based on countywide growth, not only on unincorporated parcels. The growth for each city's VLF should be based on the growth of all incorporated parcels in all TRAs within the city.

The SUT amounts for each county and cities within the county are provided by the Department of Finance, on or before September 1 of each fiscal year. These amounts are to be transferred from the ERAF to the SUT Compensation Fund, and eventually to each designated county and cities within each county.

Recommendation

The county should recalculate the VLF amounts, beginning in FY 2006-07, and correct the misallocated amounts. The county should use the corrected calculations going forward.

County's Response

"County Auditor-Controller has recalculated the VLF amounts for 2006-07 through 2013-14. The corrected VLF allocations were carried forward and used in the 2014-15 VLF allocations to the County and Cities. During fiscal year 2015-16 Auditor-Controller will transfer \$1,228,734 from the Educational Revenue Augmentation Fund to correct the 2006-07 through 2013-14 VLF allocations to the County and cities, as allowed under R & T Code Section 96.1."

SCO Comment

SCO agrees with the county's corrective action. SCO will review the implementation of the corrections in the next audit.

Plumas County (July 1, 2005, through June 30, 2014)

Follow-up on prior audit findings

The prior SCO audit report, issued October 21, 2005, disclosed no findings.

FINDING 1— Calculation and distribution of annual tax increment

The county made the following errors when computing the countywide appointment (AB 8) factors:

- In fiscal year (FY) 2005-06 and FY 2007-08, prior-year base revenues were not adjusted for annexation.

- In FY 2009-10 through FY 2013-14, there was a minor line error in the TRA increment for the school entities in three small, rural TRAs.

As a result, the revenues apportioned were not correctly computed and distributed.

Requirements for the apportionment and allocation of the ATI are found in Revenue and Taxation Code sections 96 through 96.5. The annual increment of property tax, which is the change in assessed value from one year to the next, is allocated to TRA on the basis of each TRA's share of the incremental growth in assessed valuations. The tax increment is then multiplied by the jurisdiction's ATI apportionment factors for each TRA. These factors were developed in the 1979-80 base year and are adjusted for jurisdictional changes. The tax increment is then added to the tax computed for the prior fiscal year to develop the apportionment for the current fiscal year.

Recommendation

The county should review and correct the errors above.

County's Response

"Plumas County agrees with this finding and has made corrections to properly reflect actual revenue available to be allocated for future years."

SCO Comment

SCO agrees with the county's corrective action. SCO will review the implementation of the corrections in the next audit.

FINDING 2— Unitary railroad apportionment

In FY 2007-08, the county made calculation errors in establishing the base-year revenue for the unitary railroad allocations and apportionments for all jurisdictions. The ERAF share was substantially over-estimated, resulting in incorrect apportionment amounts to all jurisdictions. The county also failed to properly compute growth in subsequent years, resulting in additional errors. As a result, the county-apportioned amount through FY 2013-14 was understated by \$226,616. Of the total amount, the county ERAF apportionment was overstated by \$211,905.

Requirements for the apportionment and allocation of unitary and operating nonunitary property taxes are found in Revenue and Taxation Code section 100.

Unitary properties are those properties on which BOE "may use the principle of unit valuation in valuing properties of an assessee that are operated as a unit in the primary function of the assessee" (i.e., public utilities, railroads, or qualified electric properties). The Revenue and Taxation Code further states, "Operating nonunitary properties are those that the assessee and its regulatory agency consider to be operating as a unit, but the board considers not part of the unit in the primary function of the assessee."

In FY 1988-89, the Legislature established a separate system for apportioning and allocating the unitary and operating nonunitary property taxes. The Legislature established the unitary and operating nonunitary base year and developed formulas to compute the distribution factors for the fiscal years that followed.

Recommendation

The county should re-compute the unitary railroad revenues for all fiscal years noted above and make an adjustment to the revenue amounts for all affected jurisdictions and the ERAF for all years that included the error in the actual allocation of railroad property taxes.

The county-apportioned amount through FY 2013-14 was understated by \$226,616; the county should be refunded that amount. Of the total amount, the county ERAF apportionment was overstated by \$211,905. The ERAF, county, and all other apportionment amounts should be adjusted accordingly going forward.

County's Response

“Plumas County agrees with the finding and has recalculated the Railroad Unitary for each year starting with FY 07/08 through FY 13/14, resulting in changes to all jurisdictions. The prior year adjustments to each jurisdiction will be made accordingly. The FY 14/15 apportionments were recalculated to reflect the corrections to the ERAF factor per this finding and adjusted accordingly.”

SCO Comment

SCO agrees with the county's corrective action. SCO will review the implementation of the corrections in the next audit.

FINDING 3— Property tax administrative costs

The county included the VLF revenue received by the City of Portola for the computation of administrative costs shares for FY 2006-07 through FY 2011-12, resulting in an overcharge to the city.

Requirements for the reimbursement of county property tax administrative costs are found in Revenue and Taxation Code section 95.3. County property tax administrative costs are incurred by the assessor, the tax collector, the assessment appeals board, and the auditor. The county is allowed, depending on the fiscal year and any corresponding exclusions, to be reimbursed by local agencies and public schools for these administrative costs.

Recommendation

The county should complete negotiations with the city and refund the overcharge back to the city.

County's Response

“Plumas County agrees with the finding and will refund the City of Portola the indicated amount. In 2012 Plumas County made the adjustment to the calculation so that FY 12/13, FY 13/14, and FY 14/15 were properly calculated. Per the audit finding, Plumas will make the required adjustment to prior years and refund the excess fees charged per negotiations pending with the City of Portola.”

SCO Comment

SCO agrees with the county's corrective action. SCO will review the implementation of the corrections in the next audit.

**FINDING 4—
Vehicle licensing fee
and sales and use tax
adjustments**

The county used incorrect assessed values when calculating the VLF swap growth in FY 2006-07 through FY 2013-14, causing the VLF swap to be incorrect for FY 2006-07 and forward. From FY 2006-07 to FY 2013-14, the county VLF was overpaid by \$271,410 and the City of Portola VLF was overpaid by \$16,639 (Schedule 1).

Requirements for the ERAF adjustment for the VLF and SUT are found in Revenue and Taxation Code sections 97.68-97.70.

In FY 2004-05 the county was given a VLF estimate that was to be transferred from the ERAF to the Vehicle License Fee Property Tax Compensation Fund, and eventually to the county and cities. In FY 2005-06, the county was given another estimate, including true-ups. In FY 2006-07 and subsequent years, the county calculates the VLF adjustment based on the prior-year VLF adjusted for growth. The growth for the county's VLF should be based on countywide growth, not only on unincorporated parcels. The growth for each city's VLF should be based on the growth of all incorporated parcels in all TRAs within the city.

The SUT amounts for each county and cities within the county are provided by the Department of Finance on or before September 1 of each fiscal year. These amounts are to be transferred from the ERAF to the SUT Compensation Fund, and eventually to each designated county and cities within each county.

Recommendation

The county should recalculate the VLF amounts, beginning in FY 2006-07 through FY 2013-14. The county VLF was overpaid by \$271,410 and the City of Portola VLF was overpaid by \$16,639. A total amount of \$288,049 must be paid to the ERAF.

The VLF amounts for the county and city should be adjusted going forward.

County's Response

“Plumas County agrees with the finding and has recalculated the VLF amounts for all affected years starting with FY 06/07. The County will refund ERAF and the City of Portola per the audit finding. The VLF correction was also done for FY 14/15 and adjustments were made accordingly.”

SCO Comment

SCO agrees with the county's corrective action. SCO will review the implementation of the corrections in the next audit.

San Bernardino County (July 1, 2006, through June 30, 2013)**Follow-up on prior audit findings**

The county has satisfactorily resolved the findings noted in the prior SCO audit report, issued January 2007.

**FINDING 1—
Unitary and operating nonunitary, pipeline, and qualified electric apportionment**

The county incorrectly allocated unitary, pipeline, and qualified electric property tax revenues by making the following errors:

1. In FY 2006-07 through FY 2012-13, the county did not allocate pipeline revenues up to 102% of prior-year revenues using prior-year factors. The county also did not allocate pipeline revenues in excess of 102% of prior-year revenues using AB 8 factors. All pipeline revenues were instead apportioned using unitary factors.
2. In FY 2006-07 and FY 2007-08, the county did not include the state-assessed pipeline in its unitary/pipeline calculations.
3. In FY 2009-10 and FY 2010-11, the unitary values used in the county's calculations did match the BOE unitary roll.
4. In FY 2010-11, the county did not calculate factors for the qualified electric properties.
5. In FY 2011-12 and FY 2012-13, the county included qualified electric properties in the unitary/operating nonunitary calculations.
6. In FY 2006-07 through FY 2012-13, the county included ERAF in the unitary apportionment.

Requirements for the apportionment and allocation of unitary and operating nonunitary property taxes are found in Revenue and Taxation Code section 100.

Unitary properties are those properties on which BOE “may use the principle of unit valuation in valuing properties of an assessee that are operated as a unit in the primary function of the assessee” (i.e., public utilities, railroads, or qualified electric properties). The Revenue and Taxation Code further states, “Operating nonunitary properties are those that the assessee and its regulatory agency consider to be operating as a unit, but the board considers not part of the unit in the primary function of the assessee.”

In FY 1988-89, the Legislature established a separate system for apportioning and allocating the unitary and operating nonunitary property taxes. The Legislature established the unitary and operating nonunitary base year and developed formulas to compute the distribution factors for the fiscal years that followed.

Recommendation

The county should recalculate the unitary, pipeline, and qualified electric property tax allocation factors beginning with FY 2006-07, correcting all errors noted above, with the exception of including ERAF in the unitary apportionment.

The county should remove ERAF in the FY 2014-15 unitary calculations using the method described in the Accounting Standards and Procedures for Counties, published by SCO (updated version to be released in April/May 2014).

The county should use these corrected factors in all subsequent unitary calculations and apportionments.

County’s Response

“The County concurs with this finding. The County is in the process of recalculating the unitary, pipeline and qualified electric property tax allocation factors beginning with FY 2006-07 addressing all the errors identified above, with exception to ERAF, so the correct factors are reflected on future apportionments. The County will remove ERAF in the unitary calculation commencing in FY14-15.”

SCO Comment

SCO agrees with the county’s corrective action. SCO will review the implementation of the corrections in the next audit.

FINDING 2— Unitary railroad apportionment

In FY 2007-08, the county incorrectly calculated the base-year unitary railroad factors. The county combined assessed values by each TRA primary number, then distributed base-year AV using factors in the first TRA with the designated primary number.

Furthermore, in FY 2008-09 through FY 2010-11, the county used AB 8 factors to apportion unitary railroad revenues.

Requirements for the apportionment and allocation of unitary and operating nonunitary property taxes are found in Revenue and Taxation Code section 100.

Unitary properties are those properties on which BOE “may use the principle of unit valuation in valuing properties of an assessee that are operated as a unit in the primary function of the assessee” (i.e., public utilities, railroads, or qualified electric properties). The Revenue and Taxation Code further states, “Operating nonunitary properties are those that the assessee and its regulatory agency consider to be operating as a unit, but the board considers not part of the unit in the primary function of the assessee.”

In FY 1988-89, the Legislature established a separate system for apportioning and allocating the unitary and operating nonunitary property taxes. The Legislature established the unitary and operating nonunitary base year and developed formulas to compute the distribution factors for the fiscal years that followed.

Recommendation

In FY 2011-12 and FY 2012-13, it appears that the county’s process for calculating unitary railroad factors was corrected. However, because there were errors in the base-year calculations, the county should recalculate the base-year factors and all subsequent apportionments correcting the errors noted above. The county should use the corrected calculations in subsequent years.

County’s Response

“The County concurs with the finding. The County is in the process of recalculating the railroad base year factors and all subsequent apportionments so the correct factors are reflected on future apportionments.”

SCO Comment

SCO agrees with the county’s corrective action. SCO will review the implementation of the corrections in the next audit.

San Luis Obispo County (July 1, 2007, through June 30, 2014)

Follow-up on prior audit findings

The prior SCO audit report, issued October 17, 2008, disclosed no findings.

Conclusion

The county complied with California statutes for the allocation and apportionment of property tax revenues for the period audited.

Yolo County (July 1, 2007, through June 30, 2014)

Follow-up on prior audit findings

The county has satisfactorily resolved the findings noted in the prior SCO audit report, issued December 30, 2009.

Conclusion

The county complied with California statutes for the allocation and apportionment of property tax revenues for the period audited.

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