

## Special Report Legislative Joint Auditing Committee May 12, 2006

### Analysis of Ad Valorem Taxes Collected for School Districts in Selected Counties for the Tax Year 2004

#### INTRODUCTION

This report is being issued to inform the Legislative Joint Auditing Committee of the assessment and collection process of ad valorem taxes collected by the respective counties for the benefit of local school districts.

#### OBJECTIVE

Our objective in preparing this report was to provide tax collection rates for school districts in selected counties to assist the legislature in their ongoing efforts to provide an adequate education for all the students in Arkansas public schools. An assumed tax collection rate of ninety-eight percent (98%) of the property assessment of each school district multiplied by the uniform rate of tax is a key component of the school funding formula as prescribed by Ark. Code Ann. §6-20-2305.

#### SCOPE AND METHODOLOGY

Our analysis reflects tax assessment and collection data from twenty-four (24) counties. Data reviewed for five (5) of the twenty-four (24) counties includes the tax assessment and collection information for school districts administered in part by an adjoining county because county and school district boundaries do not always coincide. Counties from all regions of the State were included in our analysis. The source of the data collected is the 2003 assessed valuations for real estate, personal, and utility taxes, collectable in the year 2004 as reflected on the respective county tax collectors' (collector) final tax settlements prepared by each county on an annual basis. Two (2) assumptions were made regarding delinquent tax collections in this analysis. The first was that delinquent collections of personal property taxes for the calendar year 2005 were applied to 2004 delinquencies even though a portion of the 2005 delinquent tax collections would actually apply to years prior to 2004. Because this same process occurs each and every year, this assumption should not distort the comparisons of collection rates from year to year. The second assumption was that all delinquent real estate taxes would eventually be collected at the local or state level.

The methodology used in preparing this report was developed uniquely to address our stated objective and, therefore, was more limited in scope than an audit or attestation engagement performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

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In Selected Counties For The Tax Year 2004

School Districts By County	2003 Assessment Collectible 2004				2004 Final Tax Settlement				Net Tax Collected			
	Original Assessment A	Adjusted Assessment B	% (B ÷ A)	Adjusted Original Charge C	Pre-Proration		Post-Proration <sup>2</sup>		Pre-Proration		Post-Proration <sup>2</sup>	
					Taxes Collected <sup>1</sup> D	% (D ÷ C)	Taxes Collected <sup>1</sup> E	% (E ÷ C)	Taxes Collected <sup>1</sup> F	% (F ÷ C)	Taxes Collected <sup>1,4</sup> G	% (G ÷ C)
Ashley	\$ 279,849,046	\$ 278,728,686	99.60%	\$ 9,624,532	\$ 9,081,550	94.36%	\$ 8,858,189	92.04%	\$ 9,654,538	100.31%	\$ 9,431,178	97.99%
Chicot	126,326,908	125,291,994	99.18%	4,767,792	4,126,058	86.54%	3,900,880	81.82%	4,653,085	97.59%	4,427,906	92.87%
Clark	214,008,894	211,146,826	98.66%	8,056,166	7,627,961	94.68%	7,312,688	90.77%	8,069,413	100.16%	7,754,119	96.25%
Cleburne	317,935,916	314,834,206	99.02%	9,295,559	8,663,668	93.20%	8,281,957	89.10%	9,359,645	100.69%	8,977,934	96.58%
Craighead*	921,622,946	937,416,764	101.71%	30,860,200	24,409,793	79.10%	23,018,721	74.59%	30,543,756	98.97%	29,152,681	94.47%
Desha	171,741,032	170,456,263	99.25%	6,214,708	5,845,887	94.07%	5,571,817	89.66%	6,274,456	100.96%	6,000,386	96.55%
Drew*	154,278,113	153,696,817	99.62%	5,868,738	5,454,864	92.95%	5,224,176	89.02%	5,896,848	100.48%	5,666,160	96.55%
Faulkner	887,647,156	881,237,916	99.28%	29,550,520	28,060,524	94.96%	27,493,419	93.04%	29,565,262	100.05%	29,104,473	98.49%
Garland	972,329,153	984,775,815	101.28%	35,396,555	33,750,162	95.35%	32,213,076	91.01%	35,635,122	100.67%	34,098,035	96.33%
Grant	148,323,411	147,259,791	99.28%	4,799,586	4,476,956	93.28%	4,221,784	87.96%	4,841,928	100.88%	4,586,755	95.57%
Hempstead	185,285,928	184,899,025	99.79%	6,330,866	5,885,506	92.97%	5,588,879	88.28%	6,389,360	100.92%	6,092,733	96.24%
Independence*	408,635,564	410,212,471	100.39%	13,185,284	12,621,912	95.73%	12,293,639	93.24%	13,247,189	100.47%	12,918,916	97.98%
Lawrence	149,222,498	148,721,271	99.66%	4,984,927	4,643,692	93.15%	4,441,683	89.10%	4,977,474	99.85%	4,775,465	96.80%
Lincoln	89,785,797	89,435,798	99.61%	3,174,661	2,908,301	91.61%	2,732,928	86.09%	3,224,351	101.57%	3,048,978	96.04%
Little River	241,218,425	240,454,775	99.68%	8,555,364	8,330,800	97.38%	8,010,717	93.63%	8,599,599	100.52%	8,279,515	96.78%
Lonoke	496,901,752	491,082,411	98.83%	17,680,539	16,444,504	93.01%	15,945,903	90.19%	17,813,240	100.75%	17,314,640	97.93%
Mississippi	462,390,190	404,597,598	87.50%	12,907,232	11,630,956	90.11%	10,938,055	84.74%	12,863,042	99.66%	12,170,141	94.29%
Pulaski*	4,314,806,407	4,268,127,046	98.92%	187,176,989	169,014,835	90.30%	163,134,552	87.16%	184,953,144	99.81%	179,072,861	95.67%
Saline*	881,394,117	896,128,875	101.67%	31,617,538	29,508,641	93.33%	28,374,634	89.74%	31,580,543	99.88%	30,446,536	96.30%
Sewier	111,722,412	110,998,357	99.35%	3,285,331	3,109,107	94.64%	2,955,897	89.97%	3,317,196	100.97%	3,163,987	96.31%
Sharp	140,481,389	139,159,744	99.06%	4,092,648	3,745,544	91.52%	3,567,397	87.17%	4,113,824	100.52%	3,935,677	96.16%
Union	489,967,481	485,412,708	99.07%	15,970,692	15,138,093	94.79%	14,719,196	92.16%	15,915,464	99.65%	15,496,568	97.03%
Washington	1,870,969,802	1,857,836,874	99.30%	77,706,436	74,922,331	96.42%	73,211,973	94.22%	77,284,865	99.47%	75,584,508	97.27%
White	567,772,052	562,674,886	99.10%	20,616,627	19,417,494	94.18%	19,030,245	92.31%	20,686,710	100.34%	20,299,460	98.46%
<b>Total</b>	<b>\$ 14,604,616,389</b>	<b>\$ 14,494,586,917</b>	<b>99.25%</b>	<b>\$ 551,719,469</b>	<b>\$ 508,819,143</b>	<b>92.22%</b>	<b>\$ 491,042,384</b>	<b>89.00%</b>	<b>\$ 549,470,055</b>	<b>99.59%</b>	<b>\$ 531,799,611</b>	<b>96.39%</b>

FOOTNOTES:

- <sup>1</sup> Includes Homestead Tax Credit received from State.
- <sup>2</sup> Prorations include: Collector and Treasurer's interest earned on tax collections, Treasurer's commission taken, Collector's commission taken, Assessor's salary and expense, cost prorated real and personal, and excess Collector's commission redistributed.
- <sup>3</sup> Delinquent collections of personal property taxes for the calendar year 2005 were assumed to apply to 2004 delinquencies. However, a portion of this delinquent amount will apply to years prior to 2004.
- <sup>4</sup> Taxes distributed to local school districts from 2004 taxes collected, including delinquencies collected.
- \* Counties including the tax assessment and collection data for School Districts administered in part by an adjoining County.

## Description of Columns in Schedule 1

### Column A

Reflects the total original assessed valuation for real estate, personal, and utility property located within each county, including prior year delinquent real estate property. These valuation amounts originate with the assessor's abstract of property assessments and are the amounts used in preparing the tax books delivered to the collector each year.

Ark. Code Ann. §26-28-108 and §26-28-304 require the delivery of tax books to the collector by February 1<sup>st</sup> of each year.

### Column B

Reflects the total original assessed valuation (Column A) plus added valuations, less valuation errors, and less disabled American veteran's credits. These valuation amounts are reflected on the collector's final tax settlement prepared each year and reflect the property assessment from which tax collections are derived.

Ark. Code Ann. §26-39-401, §26-39-402, and §26-28-306 require the county clerk to prepare the final tax settlement setting forth the amount due the various taxing entities on or before the fourth Monday of December each year. The final tax settlement prepared must be filed with the county court for the court's approval on or before December 31.

### Column C

Reflects the adjusted assessed valuations (Column B) multiplied by the millage rates for each school district, resulting in tax dollars to be collected.

### Column D

Reflects the tax dollars collected per the final tax settlement for the school districts plus the homestead tax credit received from the state. The school districts are charged various costs associated with the collection process and **therefore do not actually receive these amounts.**

### Column E

Reflects the tax dollars collected per the final tax settlement plus the homestead tax credit received from the state (Column D) **less** various costs associated with the collection process. These costs are as follows:

- Collector's Commission, Ark. Code Ann. §21-6-305
- Assessor's Salary and Expense, Ark. Code Ann. §14-15-203
- Reappraisal Expense (Amount in excess of the amount reimbursed from the State)
- Cost Prorated Real, Ark. Code Ann. §26-37-107 and Ark. Code Ann. §26-37-205

## Description of Columns in Schedule 1

### Column E (cont.)

- Cost Prorated Personal, Ark. Code Ann. §26-36-203 and Ark. Code Ann. §26-36-209
- Equalization Board, Ark. Code Ann. §26-27-308
- Collector's Bond, Ark. Code Ann. §21-2-710
- Treasurer's Commission, Ark. Code Ann. §21-6-302 and Ark. Code Ann. §6-13-701

The proration data includes not only costs charged the school districts on the final tax settlements, but also includes other sources of funds derived from the collection process and are noted below:

- Interest earned on taxes collected while in the custody of the county treasurer
- Delinquent Real Estate Penalty, Ark. Code Ann. §26-36-201
- Excess Collector's Commission, Attorney General's Opinion No. 78-112
- Excess Treasurer's Commission, Attorney General's Opinion No. 78-112

### Column F

Reflects the tax dollars collected per the final tax settlement for the school districts plus the homestead tax credit received from the state (Column D), plus delinquent taxes collected in subsequent years. For purposes of our analysis, two (2) assumptions were made in compiling data for delinquent taxes collected in subsequent years:

1. Delinquent personal tax amounts for 2004 were derived from actual amounts collected for school districts in the year 2005. Delinquent personal taxes collected in 2005 will not only include 2004 delinquencies, but may also include prior years. The assumption is the majority of the 2005 collections are for 2004 delinquencies. Because this same process will occur each and every year, this assumption should not distort the comparisons of collection rates from year to year.
2. Delinquent real estate tax amounts were based on the assumption that 100% of delinquent taxes will be collected at some point in time, either at the local level or by the State Land Commissioner for property certified to the State. Under this assumption, amounts shown as taxes collected would include all delinquent real estate taxes collectible per the 2004 final tax settlement.

### Column G

Reflects the tax dollars collected per the final tax settlement for the school districts plus the homestead tax credit received from the state, less various costs (as listed in the Column E definition) associated with the collection process, plus delinquent taxes collected in subsequent years. The same assumptions regarding delinquent taxes in Column F are also applied in Column G.