

MARIPOSA COUNTY

Final Audit Report

APPORTIONMENT AND ALLOCATION OF PROPERTY TAX REVENUES

July 1, 2020, through June 30, 2025



MALIA M. COHEN

CALIFORNIA STATE CONTROLLER

April 2026



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MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

April 14, 2026

The Honorable Luis Mercado, Auditor
Mariposa County
4982 10th Street
Mariposa, CA 95338

Dear Auditor Mercado:

The State Controller's Office audited Mariposa County's process for apportioning and allocating property tax revenues for the period of July 1, 2020, through June 30, 2025. We conducted the audit pursuant to the requirements of Government Code section 12468.

Our audit found that Mariposa County did not comply with California statutes for the apportionment and allocation of property tax revenues during the audit period because it incorrectly calculated the:

- Computation and distribution of property tax revenue; and
- Vehicle License Fee adjustments.

If you have any questions regarding this report, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at 916-327-3138 or email at lkurokawa@sco.ca.gov.

Thank you.

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

Mr. Luis Mercado

April 14, 2026

Page 2 of 2

Copy: The Honorable Danette Toso, Chair

Mariposa County Board of Supervisors

Rebecca Fane, Accountant

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CONTENTS

SUMMARY	1
BACKGROUND	1
AUDIT AUTHORITY	4
OBJECTIVE, SCOPE, AND METHODOLOGY	4
CONCLUSION	6
FOLLOW-UP ON PRIOR AUDIT FINDINGS	7
VIEWS OF RESPONSIBLE OFFICIALS	7
RESTRICTED USE	7
SCHEDULE—SUMMARY OF MISALLOCATIONS TO THE EDUCATIONAL REVENUE AUGMENTATION FUND	8
FINDINGS AND RECOMMENDATIONS	9
ATTACHMENT—MARIPOSA COUNTY'S REPOSENSE TO DRAFT AUDIT REPORT	12

SUMMARY

The State Controller’s Office (SCO) audited Mariposa County’s (the county) process for apportioning and allocating property tax revenues to determine whether the county complied with California statutes during the period of July 1, 2020, through June 30, 2025.

Our audit found that the county did not comply with California statutes for the apportionment and allocation of property tax revenues during the audit period because it incorrectly calculated the:

- Computation and distribution of property tax revenue; and
- Vehicle License Fee (VLF) adjustments.

BACKGROUND

After the passage of Proposition 13 in 1978, the California State Legislature (Legislature) enacted new methods for apportioning and allocating property tax revenues to local government agencies, school districts, and community college districts. The main objective was to provide these agencies and districts with a property tax base that would grow as assessed property values increased. The method has been further refined in subsequent laws.

One key law was Assembly Bill 8 (Chapter 282, Statutes of 1979), which established the method of allocating property taxes for fiscal year (FY) 1979-80 and subsequent fiscal years. The methodology is commonly referred to as the “AB 8 process.”

Property tax revenues are apportioned and allocated to local government agencies, school districts, and community college districts using prescribed formulas and methods defined in the Revenue and Taxation Code. In general, the amount of revenue that an agency or district receives is based on the amount received in the prior year plus a share of the property tax growth within its boundaries.

The AB 8 process involves several steps, including the transfer of revenues from school and community college districts to local government agencies and the development of the tax rate area (TRA) annual tax increment (ATI) apportionment factors, which determine the amount of property tax revenues to be allocated to each jurisdiction.

The total amount to be allocated to each jurisdiction is then divided by the total amount to be allocated to all entities to determine the AB 8 factor 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 apportionment factors.

Subsequent laws removed from the AB 8 process revenues generated by unitary and operating nonunitary properties, pipelines, regulated railway companies, and qualified electric properties. These revenues are now apportioned and allocated under separate processes.

Other laws 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 fund. The fund is subsequently apportioned and allocated to school and community college districts by the county auditor according to instructions received from the county superintendent of schools or the chancellor of the California community colleges.

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 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 California 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 (AV) is not reflected in other tax rolls.

To mitigate problems associated with the apportionment and allocation of property tax revenues, Senate Bill 418, which requires the SCO to audit the counties' apportionment and allocation methods and report the results to the Legislature, was enacted in 1985.

Apportionment and allocation of property tax revenues can result in revenues to an agency or agencies being overstated, understated, or misstated. Misstated revenues occur when at least one taxing agency receives more revenue than it was entitled to, while at least one taxing agency receives less revenue than it was entitled to.

The agency that received less tax revenue than its statutory entitlement would have standing to require that adjustments be made by the county, either on a retroactive or prospective basis. The SCO does not have enforcement authority or standing to require the county to take corrective action with respect to misallocation of tax revenues, unless the misallocation resulted in overpaid state funds (e.g., funds intended for the ERAF, school districts, or community college districts). The SCO has authority to recover misallocations resulting in overpaid state funds pursuant to Government Code (GC) sections 12410, 12418, and 12419.5.

GC section 12410 provides the SCO with broad authority to "superintend the fiscal concerns of the state." GC section 12418 provides the SCO with the authority to "direct and superintend the collection of all money due the State, and institute suits in its name" against all debtors of the State. GC section 12419.5 provides the SCO with the authority to offset any amounts due the State against any amounts owed to the debtor by the State.

Revenue and Taxation Code (RTC) section 96.1(b) allows a reallocation of current audit findings and unresolved prior audit findings.

RTC section 96.1(c)(3) limits a cumulative reallocation or adjustment to one percent of the total amount levied at a one-percent rate of the current year's original Secured Tax Roll. For reallocation to the ERAF, school districts, or community college districts, a reallocation must be completed in equal increments within the following three fiscal years, or as negotiated with the SCO.

AUDIT AUTHORITY

We conducted this audit in accordance with GC section 12468, which authorizes the SCO to audit the apportionment and allocation of property tax revenues on a one-, three-, or five-year cycle, depending on the county's population. The audit results are reported annually to the Legislature along with any recommendations for corrective action.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine whether the county complied with Revenue and Taxation Code, Health and Safety Code, and Government Code requirements pertaining to the apportionment and allocation of property tax revenues during the period of July 1, 2020, through June 30, 2025.

A property tax bill contains the property tax levied at a one percent tax rate pursuant to the requirement of Proposition 13. A tax bill may also contain special taxes, debt service levies on voter-approved debt, fees, and assessments levied by the county or a city. The scope of our audit is limited to the distribution of the one percent tax levy. Special taxes, debt service levies on voter-approved debt, fees, and assessments levied by the county or a city are beyond the scope of our audit and were not reviewed or audited.

To achieve our objective, we performed the following procedures:

- We gained an understanding of the county's processes and internal controls by interviewing key personnel, reviewing the county's written procedures, and reviewing the county's transaction flow for apportioning and allocating property tax revenues.
- We assessed the reliability of data from the property tax system by interviewing the county's staff members knowledgeable about the system, tracing transactions through the system, and recalculating data produced by the system. We determined that the data was sufficiently reliable for purposes of this report.

We judgmentally selected a non-statistical sample of five from approximately 15 taxing jurisdictions within the county for all fiscal years in the audit period.

The actual number of taxing jurisdictions can vary from year to year based on jurisdictional changes. For testing purposes, we included the ERAF in our sample of taxing jurisdictions. We also tested a special district, a school district, a city, and the county. We selected only one of each type of local agency because when the apportionment and allocation for one jurisdiction is incorrect, the error affects every other taxing jurisdiction.

Errors found were not projected to the intended (total) population. We tested the sampled jurisdictions as follows:

- We tested apportionment and allocation reports to verify the computations used to develop property tax apportionment factors.
- We tested TRA reports to verify that the correct TRA factors were used in the computation of the ATI.
- We reviewed supplemental property tax administrative costs and fees to determine whether recovery costs associated with administering supplemental taxes were based on actual costs and did not exceed five percent of revenues collected, as prescribed in statute.

- We verified the computations used to develop supplemental property tax apportionment factors.
- We verified unitary and operating nonunitary computations used to develop apportionment factors.
- We reviewed ERAF reports and verified computations used to determine the shift of property taxes from local government agencies to the ERAF and, subsequently, to school and community college districts.
- We verified VLF computations used to determine the amount transferred from the ERAF to counties and cities to compensate for the diversion of these revenues.
- We reviewed the California State Board of Equalization's jurisdictional change filing logs and their impact on the tax apportionment and allocation system.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

CONCLUSION

Our audit found that the county did not comply with California statutes for the apportionment and allocation of property tax revenues during the audit period because it incorrectly calculated the:

- Computation and distribution of property tax revenue; and
- VLF adjustments.

These instances of noncompliance are described in the Findings and Recommendations section.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

Our prior audit report on the county, for the period of July 1, 2015, through June 30, 2020, issued on September 22, 2021, disclosed no findings.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft audit report on December 3, 2025. The county's representative responded by letter dated January 13, 2026, accepting the audit results. This final audit report includes the county's response as an attachment.

RESTRICTED USE

This report is solely for the information and use of the county, the Legislature, the California Department of Finance, and the SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by
Kimberly A. Tarvin, CPA
Chief, Division of Audits

April 14, 2026

SCHEDULE—SUMMARY OF MISALLOCATIONS TO THE EDUCATIONAL REVENUE AUGMENTATION FUND

The following schedule shows the amount due the ERAF:

Finding	Fiscal Years Affected	Amount Due the ERAF
Finding 2—Vehicle License Fee Adjustments	FY 2021-22 through FY 2024-25	\$263,970

FINDINGS AND RECOMMENDATIONS

Finding 1—Computation and Distribution of Property Tax Revenue

During our testing of the computation and distribution of property tax revenue process, we found that the county had incorrectly calculated the increment revenue by using incorrect AVs for FY 2022-23 through FY 2024-25. The AV should be the sum of the secured, unsecured, and utility property values; and the homeowners' exemption, reduced by the unsecured aircraft AV and other exemptions. In addition, the county had used incorrect AB 8 factors to allocate the revenue for FY 2020-21. The error resulted in a misallocation of property tax revenues to all taxing jurisdictions in the county. We could not quantify the monetary impact due to the cumulative effect of the various errors affecting the computation and allocation. The error occurred because the county did not correctly implement the applicable statutes.

RTC sections 96 through 96.5 provide the legal requirements for computing the ATI and for apportioning and allocating property tax revenues. ATI is the difference between the total amount of property tax revenues computed each year using the equalized assessment rolls and the sum of the amounts allocated pursuant to RTC section 96.1(a). Each TRA receives an increment based on its share of the incremental growth in assessed valuations. ATI is added to the tax computed for the prior fiscal year to develop apportionments for the current fiscal year.

Recommendation

We recommend that the county:

- Review RTC sections 96 through 96.5 and update its procedures;
- Recalculate the jurisdiction increment for FY 2022-23 through FY 2024-25; and
- Make monetary adjustments to the affected taxing entities for FY 2020-21, and FY 2022-23 through FY 2024-25.

County's Response

To address this finding, the County of Mariposa Auditor's Office will recalculate AB 8 factors, as well as unitary and supplemental factors, for fiscal years 2022-23 through 2024-25. This will include a correct calculation of increment revenue using correct assessed valuations in accordance with Revenue and Taxation Code sections 96 through 96.5. The County of Mariposa Auditor's Office will recalculate tax revenue apportionments using the correct AB 8, supplemental, and unitary factors, compare the correct tax revenue apportionments to what was apportioned, and make monetary adjustments to the affected taxing entities for the difference. Also, the County of Mariposa Auditor's Office will make monetary adjustments to the affected taxing entities resulting from the use of incorrect AB 8 factors to allocate tax revenue for fiscal year 2020-21.

Finding 2—Vehicle License Fee Adjustments

During our testing of the VLF adjustment process, we found that the county had incorrectly calculated the VLF adjustment by using the incorrect AV for FY 2021-22 through FY 2024-25. The AV should be the sum of the secured, unsecured, utility, and homeowner exemption values; and unsecured aircraft AV, but reduced for other exemptions. As a result, the county over-allocated a total of \$263,970 to its general fund. The error occurred because the county did not correctly implement the applicable statute.

RTC section 97.70 provides the legal requirements for VLF adjustments. The VLF permanently provided additional property tax revenues to counties and cities in lieu of the discretionary VLF revenues that these agencies previously received.

Recommendation

We recommend that the county:

- Review RTC sections 97.69 and 97.70 and update its procedures;

- Recalculate the VLF adjustment for FY 2021-22 through FY 2024-25; and
- Make monetary adjustments to the affected entities.

County's Response

To address this finding, the County of Mariposa Auditor's Office will recalculate the vehicle license fee adjustments for fiscal years 2021-22 through 2024-2025 using correct assessed valuations in accordance with Revenue and Taxation Code sections 97.69 and 97.70. The County of Mariposa Auditor's Office will make monetary adjustments to the affected entities.

April 2026

ATTACHMENT—MARIPOSA COUNTY'S REPOSENSE TO DRAFT AUDIT REPORT

MARIPOSA COUNTY AUDITOR
POST OFFICE BOX 729
4982 10TH STREET
MARIPOSA, CALIFORNIA 95338

Luis Mercado, County Auditor



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January 13, 2026

Lisa Kurokawa
Chief, Compliance Audits Bureau
Division of Audits, State Controller's Office
PO Box 942850
Sacramento, CA 94250

Dear Ms. Kurokawa,

The County of Mariposa Auditor's Office concurs with Finding 1 – Computation and Distribution of Property Tax Revenue. To address this finding, the County of Mariposa Auditor's Office will recalculate AB 8 factors, as well as unitary and supplemental factors, for fiscal years 2022-23 through 2024-25. This will include a correct calculation of increment revenue using correct assessed valuations in accordance with Revenue and Taxation Code sections 96 through 96.5. The County of Mariposa Auditor's Office will recalculate tax revenue apportionments using the correct AB8, supplemental, and unitary factors, compare the correct tax revenue apportionments to what was apportioned, and make monetary adjustments to the affected taxing entities for the difference. Also, the County of Mariposa Auditor's Office will make monetary adjustments to the affected taxing entities resulting from the use of incorrect AB 8 factors to allocate tax revenue for fiscal year 2020-21.

The County of Mariposa Auditor's Office concurs with Finding 2 – Vehicle License Fee Adjustments. To address this finding, the County of Mariposa Auditor's Office will recalculate the vehicle license fee adjustments for fiscal years 2021-22 through 2024-2025 using correct assessed valuations in accordance with Revenue and Taxation Code sections 97.69 and 97.70. The County of Mariposa Auditor's Office will make monetary adjustments to the affected entities.

All monetary adjustments referenced above will be made by the County of Mariposa Auditor's Office over the period of three fiscal years, 2025-26 through 2027-28.

Sincerely,

A handwritten signature in blue ink, appearing to read "Luis Mercado", is written over a light blue horizontal line.

Luis Mercado
Auditor
County of Mariposa
lmercado@mariposacounty.gov