YOLO COUNTY

Final Audit Report

APPORTIONMENT AND ALLOCATION OF PROPERTY TAX REVENUES

July 1, 2021, through June 30, 2024

MALIA M. COHEN

CALIFORNIA STATE CONTROLLER

October 2025

S25-PTX-0012

STATE CONTROLLER'S OFFICE | DIVISION OF AUDITS

Post Office Box 942850 | Sacramento, CA 94250

Sacramento Office: 3301 C Street, Suite 700 | Sacramento, CA 95816 | 916-324-8907

Monterey Park Office: 901 Corporate Center Drive, Suite 200 | Monterey Park, CA 91754 | 323-981-6802

www.sco.ca.gov

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

October 20, 2025

Mr. Tom Haynes, Chief Financial Officer
Yolo County
625 Court Street
Woodland, CA 95695

Dear Mr. Haynes:

The State Controller's Office audited Yolo County's process for apportioning and allocating property tax revenues for the period of July 1, 2021, through June 30, 2024. We conducted the audit pursuant to the requirements of Government Code section 12468.

Our audit found that Yolo County did not comply with California statutes for the apportionment and allocation of property tax revenues during the audit period because it did not have sufficient supplemental administrative costs to justify the amount collected.

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

Copy: Bowen Au Young, Accounting Manager
Yolo County Department of Finance
The Honorable Mary Vixie Sandy, Chair
Yolo County Board of Supervisors
Chris Hill, Principal Program Budget Analyst
Local Government Unit
California Department of Finance

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SUMMARY

The State Controller's Office (SCO) audited Yolo 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, 2021, through June 30, 2024.

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 did not have sufficient supplemental administrative costs to justify the amount collected.

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 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, 2021, through June 30, 2024.

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 county 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 62 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.

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

  - 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, and unitary regulated railway, computations used to develop apportionment factors.

- We reviewed redevelopment agency reports and verified computations used to develop the project base amount and the tax increment distributed to the redevelopment agency.
- We reviewed Redevelopment Property Tax Trust Fund deposits.
- We reviewed property tax administrative cost reports and recomputed administrative costs associated with work performed for apportioning and allocating property tax revenues to local government agencies, school districts, and community college districts.
- 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 reviewed Vehicle License Fee 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 did not have sufficient supplemental administrative costs to justify the amount collected.

This instance of noncompliance is described in the Finding and Recommendation section.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

The county has satisfactorily resolved the findings noted in our prior audit report for the period of July 1, 2017, through June 30, 2021, issued on April 26, 2022. The implementation status of corrective actions is described in the Appendix.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft audit report on August 13, 2025. The county's representative responded by email on August 22, 2025, agreeing with the audit results.

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

October 20, 2025

FINDING AND RECOMMENDATION

Finding—Supplemental property tax administrative costs

During our testing of the supplemental administrative costs process, we found that the county did not have sufficient supplemental administrative costs to justify the amount collected for FY 2021-22 through FY 2023-24.

The error occurred because the county did not correctly implement the applicable statutes. 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 computations and allocations.

While the county must return the overcharged supplemental administrative fees, the county may offset a portion of the overcharged amounts through the SB 2557 administrative cost process.

RTC section 75.60 provides the legal requirements for reimbursing supplemental property tax administrative costs. The statute allows a county to charge an administrative fee for collecting supplemental property tax revenues. This fee is not to exceed five percent of the supplemental property tax revenues collected.

Recommendation

We recommend that the county:

- Review RTC section 75.60 and update its procedures; and
- Make monetary adjustments to the affected taxing jurisdictions.

County's Response

The County agrees with this finding. The County has reviewed RTC section 75.60 and updated its processes and procedures to ensure that the County recognizes revenues based on actual supplemental administrative costs, not to exceed 5% of the revenues collected. The County will review the supplemental administrative cost calculations for [FY] 2021-22 through [FY] 2023-24 and if necessary, make monetary adjustments to affected taxing agencies.

APPENDIX—SUMMARY OF PRIOR AUDIT FINDINGS

The following table shows the implementation status of Yolo County's corrective actions related to the findings contained in our prior audit report dated April 26, 2022.

Prior Audit Finding	Status
Finding 1— Reimbursement of Property Tax Administrative Costs	Fully implemented
Finding 2— Redevelopment Property Tax Trust Fund Deposit Amounts (Repeat Finding)	Fully implemented