

IMPERIAL COUNTY ASSESSMENT PRACTICES SURVEY

FEBRUARY 2017

CALIFORNIA STATE BOARD OF EQUALIZATION

SEN. GEORGE RUNNER (RET.), LANCASTER

FIONA MA, CPA, SAN FRANCISCO

JEROME E. HORTON, LOS ANGELES COUNTY

DIANE L. HARKEY, ORANGE COUNTY

BETTY T. YEE

FIRST DISTRICT

SECOND DISTRICT

THIRD DISTRICT

FOURTH DISTRICT

STATE CONTROLLER

DAVID J. GAU, EXECUTIVE DIRECTOR





STATE BOARD OF EQUALIZATION
PROPERTY TAX DEPARTMENT
450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064
1-916-274-3350 • FAX 1-916-285-0134
www.boe.ca.gov

SEN. GEORGE RUNNER (RET.)
First District, Lancaster

FIONA MA, CPA
Second District, San Francisco

JEROME E. HORTON
Third District, Los Angeles County

DIANE L. HARKEY
Fourth District, Orange County

BETTY T. YEE
State Controller

DAVID J. GAU
Executive Director

No. 2017/007

February 8, 2017

TO COUNTY ASSESSORS:

**IMPERIAL COUNTY
ASSESSMENT PRACTICES SURVEY**

A copy of the Imperial County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in selected counties to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Robert Menvielle, Imperial County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the assessor's response, constitutes the final survey report, which is distributed to the Governor, the Attorney General, and the State Legislature; and to the Imperial County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

The former Imperial County Assessor, Mr. Roy Buckner, and his staff gave their complete cooperation during the survey fieldwork. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

Sincerely,

/s/ David Yeung for

Dean R. Kinnee
Deputy Director
Property Tax Department

DRK:dcl
Enclosure

TABLE OF CONTENTS

INTRODUCTION.....	1
OBJECTIVE	2
SCOPE AND METHODOLOGY	2
EXECUTIVE SUMMARY	4
OVERVIEW OF IMPERIAL COUNTY.....	5
FINDINGS AND RECOMMENDATIONS	6
ADMINISTRATION	8
WORKLOAD	8
DISASTER RELIEF.....	9
ASSESSMENT OF REAL PROPERTY	11
CHANGE IN OWNERSHIP.....	11
MINERAL PROPERTY	12
ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES.....	14
AUDIT PROGRAM	14
BUSINESS PROPERTY STATEMENT PROGRAM.....	16
BUSINESS EQUIPMENT VALUATION	18
APPENDIX A: STATISTICAL DATA	21
TABLE 1: ASSESSMENT ROLL	21
TABLE 2: CHANGE IN ASSESSED VALUES.....	21
TABLE 3: GROSS BUDGET AND STAFFING	22
TABLE 4: ASSESSMENT APPEALS.....	22
TABLE 5: DISASTER RELIEF.....	23
TABLE 6: RELIGIOUS AND CHURCH EXEMPTIONS	23
TABLE 7: WELFARE EXEMPTIONS.....	24
TABLE 8: DISABLED VETERANS' EXEMPTIONS	24
TABLE 9: CHANGE IN OWNERSHIP	25
TABLE 10: NEW CONSTRUCTION	25
TABLE 11: DECLINES IN VALUE.....	26
APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP	27
APPENDIX C: RELEVANT STATUTES AND REGULATIONS	28
ASSESSOR'S RESPONSE TO BOE'S FINDINGS	29

INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest derives from state law that annually guarantees California schools a minimum amount of funding; to the extent that property tax revenues fall short of providing this minimum amount of funding, the State must make up the difference from the general fund.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews the practices and procedures (surveys) of selected county assessors' offices. This report reflects the BOE's findings in its current survey of the Imperial County Assessor's Office.

The assessor is required to file with the board of supervisors a response that states the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, and the Senate and Assembly; and to the Imperial County Board of Supervisors, Grand Jury, and Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Robert Menvielle, Imperial County Assessor, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendixes.

OBJECTIVE

The survey shall "...show the extent to which assessment practices are consistent with or differ from state law and regulations."¹ The primary objective of a survey is to ensure the assessor's compliance with state law governing the administration of local property taxation. This objective serves the three-fold purpose of protecting the state's interest in the property tax dollar, promoting fair treatment of taxpayers, and maintaining the overall integrity and public confidence in the property tax system in California.

The objective of the survey program is to promote statewide uniformity and consistency in property tax assessment by reviewing each selected county's property assessment practices and procedures, and publishing an assessment practices survey report. Every assessor is required to identify and assess all properties located within the county – unless specifically exempt – and maintain a database or "roll" of the properties and their assessed values. If the assessor's roll meets state requirements, the county is allowed to recapture some administrative costs.

SCOPE AND METHODOLOGY

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor.

Pursuant to Revenue and Taxation Code² section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team – based on objective standards defined in regulation – that there are no significant assessment problems in the county.

This survey examined the assessment practice of the Imperial County Assessor's Office for the 2014-15 assessment roll. Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.

Our survey methodology of the Imperial County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contacts with officials in other public agencies in Imperial County who provided information relevant to the property tax assessment program.

¹ Government Code section 15642.

² Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code and all rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

For a detailed description of the scope of our review of county assessment practices, please refer to the document entitled *Scope of Assessment Practices Surveys*, available on the BOE's website at <http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf>. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

We conducted reviews of the following areas:

- Administration

We reviewed the assessor's administrative policies and procedures that affect both the real property and business property assessment programs. Specific areas reviewed include the assessor's budget and staffing, workload, assessment appeals, disaster relief, and exemptions.

- Assessment of Real Property

We reviewed the assessor's program for assessing real property. Specific areas reviewed include properties having experienced a change in ownership, new construction assessments, properties experiencing a decline in value, and certain properties subject to special assessment procedures, such as California Land Conservation Act (CLCA) property, taxable possessory interests, and mineral property.

- Assessment of Personal Property and Fixtures

We reviewed the assessor's program for assessing personal property and fixtures. Specific areas reviewed include conducting audits, processing business property statements, business equipment valuation, manufactured home assessments, and aircraft assessments.

EXECUTIVE SUMMARY

We examined the assessment practice of the Imperial County Assessor's Office for the 2014-15 assessment roll. This report offers recommendations to help the assessor correct assessment problems identified by the survey team. The survey team makes recommendations when assessment practices in a given area are not in accordance with property tax law or generally accepted appraisal practices. An assessment practices survey is not a comprehensive audit of the assessor's entire operation. The survey team does not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment. In terms of current auditing practices, an assessment practices survey resembles a compliance audit – the survey team's primary objective is to determine whether assessments are being made in accordance with property tax law.

In the area of administration, the assessor is effectively managing staffing, assessment appeals, and exemptions. However, we made recommendations for improvement in the workload and disaster relief programs.

In the area of real property assessment, the assessor has effective programs for new construction, declines in value, California Land Conservation Act (CLCA) property, and taxable possessory interests. However, we made recommendations for improvement in the change in ownership and mineral property programs.

In the area of personal property and fixtures assessment, the assessor has effective programs for assessing manufactured homes and aircraft. However, we made recommendations for improvement in the audit, business property statement processing, and business equipment valuation programs.

Despite the recommendations noted in this report, we found that most properties and property types are assessed correctly, and that the overall quality of the assessment roll meets state standards.

We found no significant assessment problems as defined in Rule 371. Since Imperial County was not selected for assessment sampling pursuant to Government Code section 15643(b), this report does not include the assessment ratios that are generated for surveys that include assessment sampling. Accordingly, pursuant to section 75.60, Imperial County continues to be eligible for recovery of costs associated with administering supplemental assessments.

OVERVIEW OF IMPERIAL COUNTY

Imperial County is located in the Imperial Valley in the far southeast of California. The county encompasses a land area of 4,177 square miles. Imperial County is bounded on the north by Riverside County, to the west by San Diego County, to the east by the border of Arizona, and to the south by the border of Mexico.



Established in 1907, Imperial County is the last county to be established in California. The county seat is the city of El Centro. The county has seven incorporated cities: Brawley, Calexico, Calipatria, El Centro, Holtville, Imperial, and Westmorland. In 2013, Imperial County had an estimated population of 176,584 people. Although this region is a desert, the economy is heavily based on agriculture and relies on the Colorado River via the All-American Canal for all irrigation.

Imperial County's total assessment roll value ranks 35th among the 58 California counties for the 2014-15 assessment year.³

During the periods reviewed under this assessment practices survey, the Governor had proclaimed disasters due to drought in all 58 counties in January 2014.⁴ As a result, those governor-proclaimed disasters that caused physical damage to assessed properties in Imperial County may have rendered them eligible for property tax relief.

³ From the BOE Annual Report, Table 7, Assessed Value of County-Assessed Property Subject to General Property Taxes, inclusive of the Homeowners' Exemption, by Class of Property and by County, sorting the net total assessed value from highest to lowest.

⁴ From the *Chronological List of Governor-Proclaimed Disasters for Property Tax Purposes*, available on BOE's website at www.boe.ca.gov/proptaxes/pdf/Disasterlist.pdf.

FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the Imperial County assessment roll meets the requirements for assessment quality established by section 75.60. This report does not provide a detailed description of all areas reviewed; it addresses only the deficiencies discovered.

Following is a list of the formal recommendations contained in this report.

RECOMMENDATION 1:	Report statistics as requested by the BOE pursuant to section 407.	8
RECOMMENDATION 2:	Revise the disaster relief program by: (1) notifying disaster relief applicants of their proposed reassessments and appeal rights pursuant to section 170(c); and (2) revising the disaster relief application to meet the requirements of section 170(a).	9
RECOMMENDATION 3:	Apply appropriate penalties as required by section 482(b) if the BOE-100-B, <i>Statement of Change in Control and Ownership of Legal Entities</i> , is not filed timely.	12
RECOMMENDATION 4:	Measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469.....	12
RECOMMENDATION 5:	Treat leach pads, tailing facilities, and settling ponds as a separate appraisal unit for purposes of determining taxable value.	13
RECOMMENDATION 6:	Improve the audit program by: (1) performing the minimum number of audits of professions, trades, and businesses pursuant to section 469; (2) modifying the audit selection procedure to correctly develop the pool of largest audit accounts as defined by Rule 192; (3) ensuring the pool of the largest taxpayers considers all taxpayers subject to audit; and (4) obtaining a signed waiver of the statute of limitations when an audit will not be completed in a timely manner.....	14
RECOMMENDATION 7:	Improve the business property statement program by: (1) accepting only completed business property statements; and (2) accepting only business property statements with authorized signatures in accordance with Rule 172.....	17

RECOMMENDATION 8: Improve the business equipment valuation program by: (1) correctly classifying machinery and equipment reported on business property statements; (2) applying appropriate trade-level adjustments; and (3) using the correct reverse trend methodology when removing value for removed assets.19

ADMINISTRATION

Workload

Generally, the assessor is responsible for annually determining the assessed value of all real property and business personal property (including machinery and equipment) in the county. In order to accomplish this task, the assessor reviews recorded documents and building permits to discover assessable property. In addition, the assessor will identify and value all business personal property (including machinery and equipment), process and apply tax exemption claims for property owned by qualifying religious and welfare organizations, and prepare assessment appeals for hearing before the local board of equalization.⁵

During our review, we found an area in need of improvement in the assessor's workload program.

RECOMMENDATION 1: Report statistics as requested by the BOE pursuant to section 407.

We found instances where the assessor provided statistics to the BOE for the annual publication *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* (Budgets & Workloads Report) that varied significantly from information gathered during survey fieldwork. For example, in our review of the assessor's Audit Program for this survey, the completed audit counts gathered during survey fieldwork varied significantly from the total completed audits reported for the Budgets & Workloads Report. Additionally, statistics gathered for change in ownership and new construction for certain years do not match the counts reported for the Budgets & Workloads Report.

Section 407 provides that the assessor shall transmit a statistical statement to the BOE annually, supplying any statistical information which the BOE may require, and shall supply from time to time any other information required by the BOE.

By not reporting statistics and other information to the BOE as required, the assessor is not in compliance with current statute.

⁵ For a general description of the scope of our review of this topic, please refer to the document *Budget and Staffing*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/budget-staffing_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

Disaster Relief

Section 170 permits a county board of supervisors to adopt an ordinance that allows immediate property tax relief on qualifying property damaged or destroyed by misfortune or calamity. The relief is available to any assessee whose property suffers damage of \$10,000 or more.⁶

To obtain relief under section 170, assesses must make a written application to the assessor requesting reassessment. In addition, if the assessor is aware of any property that has suffered damage by misfortune or calamity, the assessor must provide the last known assessee with an application for reassessment. Alternatively, the board of supervisors may, by ordinance, grant the assessor the authority to initiate the reassessment if the assessor is aware and determines that within the preceding 12 months taxable property located in the county was damaged or destroyed by misfortune or calamity.

Upon receipt of a properly completed application, the assessor shall reassess the property for tax relief purposes. If the sum of the full cash values of the land, improvements, and personal property before the damage or destruction exceeds the sum of the values after the damage by \$10,000 or more, the assessor shall then determine the percentage reductions in current market value and reduce the assessed values by those percentages.

The Imperial County Board of Supervisors adopted an ordinance implementing section 170 on February 15, 1977. The ordinance was updated on January 28, 2003. We reviewed the county's disaster relief ordinance and claim form for conformity with section 170. We also reviewed the assessor's discovery, filing, assessment, and notification procedures for conformity with section 170. We found areas in need of improvement.

RECOMMENDATION 2: Revise the disaster relief program by: (1) notifying disaster relief applicants of their proposed reassessments and appeal rights pursuant to section 170(c); and (2) revising the disaster relief application to meet the requirements of section 170(a).

Notify disaster relief applicants of their proposed reassessments and appeal rights pursuant to section 170(c).

The assessor's written procedures for disaster relief state that the assessor will notify the property owner of the amount of the proposed reassessment. However, we found that the assessor does not notify applicants of proposed reassessments.

Section 170(c) requires that the assessor notify the disaster relief applicant in writing of the amount of the proposed reassessment. The notice shall state that the applicant may appeal the proposed reassessment to the local board of equalization within six months of the date of mailing the notice.

⁶ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Disaster Relief*, available on the BOE's website at http://www.boe.fca.gov/Assessors/pdf/disaster_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

By failing to notify applicants of proposed reassessments, property owners do not learn of their opportunity to appeal the reduced values. Therefore, we recommend that the assessor provide written notification to disaster relief applicants of the amount of the proposed reassessments, including a statement that the applicant may appeal the proposed assessment within the time provided by section 170(c).

Revise the disaster relief application to meet the requirements of section 170(a).

Section 170(a) provides that disaster relief may be claimed by any person whose property was damaged so long as the owner was not at fault in causing the damage. The current application for disaster relief is not in compliance with section 170(a) because it does not provide for an affirmation by the claimant that the damage or destruction to the property was not caused by their fault. A declaration that the disaster was through no fault of the owner is a key statutory element, which has been omitted from the form. Therefore, we recommend the assessor revise the application for disaster relief to meet the requirements of section 170(a).

ASSESSMENT OF REAL PROPERTY

Change in Ownership

Section 60 defines change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee simple interest. Sections 61 through 69.5 further clarify what is considered a change in ownership and what is excluded from the definition of a change in ownership for property tax purposes. Section 50 requires the assessor to enter a base year value on the roll for the lien date next succeeding the date of the change in ownership; a property's base year value is its fair market value on the date of the change in ownership.⁷

Legal Entity Ownership Program (LEOP)

Section 64 provides that certain transfers of ownership interests in a legal entity constitute a change in ownership of all real property owned by the entity and any entities under its ownership control. Rule 462.180 interprets and clarifies section 64, providing examples of transactions that either do or do not constitute a change in entity control and, hence, either do or do not constitute a change in ownership of the real property owned by the entity. Discovery of these types of changes in ownership is difficult for assessors, because ordinarily there is no recorded document evidencing a transfer of an ownership interest in a legal entity.

To assist assessors, the BOE's LEOP section gathers and disseminates information regarding changes in control and ownership of legal entities that hold an interest in California real property. On a monthly basis, LEOP transmits to each county assessor a listing, with corresponding property schedules, of legal entities that have reported a change in control under section 64(c) or change in ownership under section 64(d). However, because the property affected is self-reported by the person or entity filing information with the BOE, LEOP advises assessors to independently research each entity's property holdings to determine whether all affected parcels have been identified and properly reappraised.

Sections 480.1, 480.2, and 482 set forth the filing requirements and penalty provisions for reporting of legal entity changes in control under section 64(c) and changes in ownership under section 64(d). A change in ownership statement must be filed with the BOE within 90 days of the date of change in control or change in ownership; reporting is made on BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities*. Section 482(b) provides for application of a penalty if a person or legal entity required to file a statement under sections 480.1 and 480.2 does not do so within 90 days from the earlier of (1) the date of change in control or ownership or (2) the date of written request by the BOE. The BOE advises county assessors of entities that are subject to penalty, so they can impose the applicable penalty to the entity's real property.

⁷ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Change in Ownership*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/cio_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

We found an area related to LEOP that needs improvement:

RECOMMENDATION 3: Apply appropriate penalties as required by section 482(b) if the BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities*, is not filed timely.

The BOE reviewed a sample of records and discovered penalties required by section 482(b) were not applied when statements were filed late.

Sections 480.1 and 480.2 require the filing of a signed BOE-100-B whenever a legal entity has undergone a change in control or ownership. Section 482(b) states that if a person or legal entity required to file a BOE-100-B fails to do so within 90 days from the earlier of (1) the date of the change in control or the change in ownership, or (2) the date of a written request by the BOE, whichever occurs earlier, a specific penalty shall be applied.

The BOE provides the assessor with several reports, as well as copies of BOE-100-Bs, indicating whether a penalty applies. The assessor should review these reports and the BOE-100-Bs to identify entities with late-filings or failures to file and apply penalties accordingly. By failing to apply the required section 482(b) penalty, the assessor is not following statutory requirements.

Mineral Property

By statute and case law, mineral properties are taxable as real property. They are subject to the same laws and appraisal methodology as all real property in the state. However, there are three mineral-specific property tax rules that apply to the assessment of mineral properties. They are Rule 468, *Oil and Gas Producing Properties*, Rule 469, *Mining Properties*, and Rule 473, *Geothermal Properties*. These rules are interpretations of existing statutes and case law with respect to the assessment of mineral properties.⁸

There are no petroleum properties located in Imperial County. There are several industrial mining operations, a gold mine, unpatented mining claims, sand and gravel quarries, and geothermal power plants. There are no recommendations for geothermal properties. The assessor appears to be using recommended procedures for valuing these properties.

Mining Properties

There are several sand and gravel operations located in the county.

RECOMMENDATION 4: Measure declines in value for mineral properties using the entire appraisal unit as required by Rule 469.

⁸ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Mineral Property*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/mineralprop_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

The assessor typically uses the royalty method to determine the mineral rights value. It does not appear, however, that the assessor is measuring declines in value using the entire appraisal unit as required by Rule 469.

In accordance with article XIII A, all real property receives a base year value and, on each lien date, the taxable value of the real property unit is the lesser of its adjusted base year value or current market value. Section 105 defines fixtures as a type of improvement and, hence, as real property.

For most properties, fixtures are treated as a separate appraisal unit for the purpose of determining a decline in value. Mineral properties, however, are treated differently. Rule 469(e)(2)(C) specifically defines the appraisal unit of a mineral property to include land, improvements including fixtures, and reserves. The assessor should use this unit for the purpose of measuring a possible decline in value.

Failure to properly determine the decline in value of a mineral property using the entire mineral property appraisal unit could result in an underassessment of the fixtures and equipment or an over assessment of the mineral rights.

Gold Mines

Gold price increases several years ago made it profitable to reactivate one of the gold mines located in Imperial County. The gold mine uses heap leaching to separate the gold from the ore removed from the mine. The ore is spread over a pad and a cyanide solution is sprinkled over the ore. As the solution percolates through the ore, it dissolves the gold into the solution. The solution is then collected and processed to remove the gold.

RECOMMENDATION 5: Treat leach pads, tailing facilities, and settling ponds as a separate appraisal unit for purposes of determining taxable value.

There is no indication in the files that the assessor, when determining the taxable value of the pads, considers the leach pads as a separate appraisal unit as required by section 53.5. Section 53.5 provides that the assessor shall establish a base year value for each leach pad, tailing facility, and settling pond, and that each leach pad, tailing facility, and settling pond shall be considered a separate appraisal unit for purposes of determining its taxable value on each lien date subsequent to the lien date upon which the initial base year value was determined. Further guidance is offered in Letter To Assessors 2014/043, *Effective Administrative Practices – Mining Properties*.

Failure to treat settling ponds as a separate appraisal unit is contrary to statute and may result in incorrect assessments.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

Audit Program

County assessors are required to annually conduct a significant number of audits as specified in section 469. The significant number of audits required is at least 75 percent of the fiscal year average of the total number of mandatory audits the assessor was required to have conducted during the 2002-03 fiscal year to the 2005-06 fiscal year, with at least 50 percent of those to be selected from a pool of those taxpayers with the largest assessments.⁹

Rule 192 prescribes the computation establishing minimum required audit production and provides the basis for the audit selection process. According to Letter To Assessors 2009/049, the statute requires the assessor to complete 40 audits per year.

We reviewed audits for audit quality to ensure that the assessor conducts audits to make certain the taxpayer has been properly assessed. We examined the audit review process to ensure audits conducted adhered to an acceptable quality standard. We reviewed the roll correction process to ensure audits resulting in escape assessment were enrolled for each year an escape assessment occurred. We also reviewed the assessor's notification procedure to ensure that taxpayers with property that escaped assessment were properly notified of the escapes and of their rights to appeal. Overall, we found the assessor's audit program to be well managed. However, we found areas in need of improvement.

RECOMMENDATION 6: Improve the audit program by: (1) performing the minimum number of audits of professions, trades, and businesses pursuant to section 469; (2) modifying the audit selection procedure to correctly develop the pool of largest audit accounts as defined by Rule 192; (3) ensuring the pool of the largest taxpayers considers all taxpayers subject to audit; and (4) obtaining a signed waiver of the statute of limitations when an audit will not be completed in a timely manner.

Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

For the assessment years under the scope of the survey, the assessor completed 5, 9, 4, 8, and 19 audits for years 2009-10, 2010-11, 2011-12, 2012-13, and 2013-14, respectively. However, the assessor is required to complete at least 40 audits per year pursuant to section 469.

An effective audit program verifies the reporting of various business property accounts, from small to large, and helps prevent potential errors or escape assessments. An audit program is an

⁹ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Audit Program*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/auditprogram_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

essential component of any equitably administered assessment program. A weak audit program can leave a business property assessment program with no means of verifying the accuracy of taxpayer reporting or for correcting noncompliant reporting practices. Furthermore, experience shows the further removed the audit is from the year being audited the more difficult it is to obtain the records necessary to substantiate accurate reporting. Therefore, timeliness of the audit is an important factor in an effective audit program and ultimately a well-managed assessment program.

By failing to conduct a significant number of audits in a timely manner, the assessor is not in compliance with section 469 and risks the possibility of allowing taxable property to permanently escape assessment.

Modify the audit selection procedure to correctly develop the pool of largest audit accounts as defined by Rule 192.

A necessary step in performing the minimum number of audits required by section 469 is the correct development of the pool of largest audit accounts defined in Rule 192. When comparing the assessor's lists of completed audits for each of the assessment years under the scope of the survey to the corresponding lists of largest assessments, we found that for each assessment year the assessor selected a disproportional mix of audits between the pool of largest assessments and the remaining required audits. For example, of the 19 audits conducted during assessment year 2013-2014, only 6 audits were from the pool of the largest assessments and 13 audits were from the remaining assessments. This imbalanced selection process is evident in each of the assessment years within the scope of the survey.

Section 469 requires the assessor to rank all taxpayers annually in the county in descending order by their total locally assessed value of both trade fixtures and business tangible personal property. Rule 192(a)(6) states that the "taxpayers with largest assessments" means taxpayers that have the largest assessments of locally assessable trade fixtures and business tangible personal property in the county for the applicable year of audit selection.

The assessor cannot be in compliance with section 469 and Rule 192 without first accurately identifying the pool of largest audit accounts. By failing to comply with section 469 and Rule 192, the assessor may risk not auditing the largest assessments for the current year and may subsequently allow taxable property to escape assessment permanently.

Ensure the pool of the largest taxpayers considers all taxpayers subject to audit.

Due to the incorrect classification of some mining and energy properties primarily as structure, and not fixture, properties that should have been considered for audit were excluded. During our review of taxpayers subject to audit, we discovered 29 accounts belonging to as many as 17 taxpayers comprised of complex properties for which the assessor has not considered as audit candidates. The assessment for these accounts range from \$2 million to \$60 million. These complex properties have been assessed by use of the income approach. The assessor has incorrectly classified these complex properties as 100 percent structure improvements. These complex properties consist of mining and energy operations. Much of the investments made to place these types of complex property in service consist of fixtures such as specialty trade-related

fixed machinery and equipment, pumps, generators, conveyors, and trade-related electrical and plumbing.

While there is no requirement for the assessor to distinguish between structural and fixture improvements (section 602), the assessor is required to audit accounts from the pool of taxpayers with the largest assessments in accordance with Rule 192. Rule 192 stipulates that the largest assessments be based on total assessable fixtures and business personal property. Since the assessments of these properties have been so high relative to other taxpayers in the County and since the assessments for these properties are mostly comprised of fixtures, proper classification of these improvements would have resulted in these taxpayers inclusion in the pool of taxpayers with the largest assessments. As taxpayers from the pool of largest assessments, these taxpayers should have been considered for audit every four years.

By incorrectly classifying the fixtures of these complex properties as structure improvements, the assessor has excluded these taxpayers from his ranking of taxpayers according to total assessable fixtures and personal property and is thus not in compliance with Rule 192.

Request a signed waiver of the statute of limitations when an audit will not be completed in a timely manner.

The assessor has not consistently requested signed waivers of the statute of limitations from taxpayers when he anticipated an audit would not be completed within the statutory period defined by section 532.

Section 532 provides that when the assessor discovers through an audit that property has escaped assessment, an assessment of such property must be enrolled within four years after July 1 of the assessment year during which the property escaped assessment. If the assessor cannot complete an audit within the prescribed time, the assessor may request, pursuant to section 532.1, a waiver of the statute of limitations from the taxpayer to extend the time for making an assessment.

A signed waiver protects the taxpayer during the audit process should an overassessment be discovered and allows the assessor to enroll an escape assessment if a reporting deficiency is found. By failing to obtain signed waivers, the assessor may allow taxable property to escape assessment should the statute of limitations expire prior to the completion of the audit. Consequently, revenue could be permanently lost.

Business Property Statement Program

Section 441 requires that each person owning taxable personal property (other than a manufactured home) having an aggregate cost of \$100,000 or more annually file a business property statement (BPS) with the assessor; other persons must file a BPS if requested by the assessor. Property statements form the backbone of the business property assessment program.¹⁰

¹⁰ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Business Property Statement Program*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/businesspropstatement_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

We reviewed the assessor's practices and files relevant to the BPS program to ensure that the assessor complies with statutory guidelines. We reviewed a sampling of BPSs to verify that the assessor uses Board-prescribed forms; utilizes certified staff for processing BPSs; ensures that BPSs are properly filled out; ensures appropriate penalties are applied; ensures that real property and business property staff coordinate assessment of trade fixtures, leasehold improvements, and structures; and adheres to an appropriate record retention policy.

We found the assessor date stamps incoming BPSs and appropriately adds a 10 percent penalty to assessments when BPSs are submitted after the deadline. The assessor remedies unsigned BPSs by returning the original for action by the property owner. The assessor's business and real property division coordinate efforts to properly classify structural improvements. We also found the assessor to have an appropriate record retention practice.

While the assessor's BPS program is generally managed well, we did find two areas in need of change.

RECOMMENDATION 7: Improve the business property statement program by:
(1) accepting only completed business property statements;
and (2) accepting only business property statements with
authorized signatures in accordance with Rule 172.

Accept only completed business property statements.

We found that the assessor accepted a number of business property statements where the taxpayer failed to complete important information such as changes in ownership and the location of the business in Part I of form BOE-571-L.

Section 441 requires each person owning taxable personal property (other than manufactured homes) having an aggregate cost of \$100,000 or more to annually file a BPS with the assessor; and any other person must file a BPS if requested by the assessor. These statements cover a wide variety of property types, including commercial, industrial, agricultural, boats, and certificated aircraft. Section 442 requires that the BPS shall show all taxable property owned, claimed, possessed, controlled, or managed by the person filing it and required to be reported thereon. Additionally, section 445 requires a properly filed business property statement to include a description of all taxable property in the detail required.

Without Part I(g) of the BPS being completed, the assessor may be unaware of any changes in ownership that may have occurred. Furthermore, the inability to obtain the situs address of the assessee's business property may prevent the assessor from properly securing business property and assigning the correct tax rate area to the assessee's assessment. We recommend that the assessor accept only completed BPSs. Incomplete BPSs, together with a letter detailing the deficiency, should be returned to assesseees for proper completion.

Accept only business property statements with authorized signatures in accordance with Rule 172.

Several of the BPSs we reviewed were signed by someone other than a qualified or authorized person. Of these, none had the assessee's written authorization on file with the assessor.

Rule 172 requires Board-prescribed BPSs and mineral production reports to be signed by the assessee, a partner, a duly appointed fiduciary, or an authorized agent. BPSs filed on behalf of a corporate assessee must be signed by an officer, an employee, or an agent authorized by the board of directors to sign on behalf of the corporation. When a BPS is signed by an agent who is not a member of the bar, a certified public accountant, a public accountant, an enrolled agent, or a duly appointed fiduciary, the assessee's written authorization allowing that agent to sign the BPS must be filed with the assessor. An unsigned BPS or BPS signed by an unauthorized agent does not constitute a valid filing. Rule 172(d) prohibits the assessor from knowingly accepting any signed BPS that is not executed in accordance with the requirements of this section.

Written authorization calls attention to the fact that corporate assessees are liable for any consequences of reporting errors by an employee or agent. It also assures that the assessor may rely upon that statement. By requiring such written authorization, the assessor will ensure that the BPS was the taxpayer's official response.

Business Equipment Valuation

Assessors value most machinery and equipment using business property valuation factors. Some valuation factors are derived by combining price index factors with percent good factors, while other valuation factors result from valuation studies. Under this methodology, value for taxation purposes is established by multiplying a property's historical cost by an appropriate valuation factor.¹¹

We reviewed the assessor's valuation procedures as well as the assessor's application of percent good and trend factors to ensure that they were accurate and applied consistently. Samples were analyzed to verify that the assessor was applying the correct factors to various business and equipment type, estimating supplies when not reported, making appropriate trade-level adjustments when necessary, appropriately assessing fixtures, and correctly assessing mobile construction and agricultural accounts.

We found the assessor consistently applies percent good and trend factors according to Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581), and California Assessors' Association guidance. Overall, the assessor's business equipment valuation program is comprehensive and well managed. However, we did find areas in need of change.

¹¹ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Business Equipment Valuation*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/businessequipval_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

RECOMMENDATION 8: Improve the business equipment valuation program by: (1) correctly classifying machinery and equipment reported on business property statements; (2) applying appropriate trade-level adjustments; and (3) using the correct reverse trend methodology when removing value for removed assets.

Correctly classify machinery and equipment reported on business property statements.

We reviewed the records of a wide range of business property types and found that the assessor does not classify any property as fixtures. The assessor does not recognize reported trade fixtures as improvements but instead classifies all reported trade fixtures as personal property. Also, the assessor does not have a policy for allocating fixture value to reported machinery and equipment of which a certain percentage consists of fixed machinery and equipment, resulting in all fixed machinery and equipment being classified as personal property.

When machinery and equipment is reported in bulk, particularly in industries such as manufacturing, there is often some percentage of assets that meet the criteria for fixtures. Furthermore, service station related fixtures (such as fuel pumps, dispensers, piping, hoists, island curbing, built-in freezers, and other retail fixtures) are often reported with machinery and equipment. Letter To Assessors 92/27 provides assessors guidance in making classification decisions when enrolling service station business equipment.

Classification is an important element of the local assessment function for several reasons. Principally, it is important because property tax law requires the assessment roll to show separate values for land, improvements (including fixtures), and personal property. It is also significant because of the following differences between real property and personal property: (1) only real property is subject to special assessments, (2) real property has a base year value, (3) personal property is appraised annually at market value, and (4) fixtures are a separate appraisal unit when measuring declines in value.

The assessor should make a concerted effort to prorate machinery and equipment costs reported on Schedule A of the BPS between personal property and fixtures, particularly when enrolling taxable property related to industries that are likely to mix fixtures and personal property in reported cost data. The assessor's current practice may lead to inaccurate allocations between fixtures and personal property in specific industry settings and cause incorrect assessments.

Apply appropriate trade-level adjustments.

We found the assessor did not make trade-level adjustments to reported costs of equipment in cases where the taxpayer was reporting either their cost to manufacture reported equipment or their wholesale cost of equipment. We did not find trade-level adjustments to reported costs or indications that reported costs reflect a trade level adjustment.

Consistent with the definition of full cash value, property must be assessed at the proper level of trade based on its location and use on the lien date. The trade level concept is applicable when book cost does not provide adequate information for making a fair market value appraisal. It is a cost component that is most frequently applicable to leased equipment and self-constructed

equipment. In accordance with Rule 10(a), the assessor shall give recognition to the trade level at which the property is situated and to the principle that property normally increases in value as it progresses through production and distribution channels.

By not adjusting reported costs to reflect the appropriate trade level, the assessor risks underassessing certain equipment where the reported costs reflect either wholesale costs or self-manufactured costs. Furthermore, by not making the appropriate trade-level adjustment the assessor risks inequitable valuation of similar equipment for which the taxpayer reports costs at the appropriate trade level.

Use the correct reverse trend methodology when removing value for removed assets.

We found the assessor methodology for reverse trending to be flawed. In calculating the reverse trend, the assessor applies historical index factors and the percent good factors to the current cost in deriving historical costs.

Reverse trending is a method of recognizing, and removing from the final valuation conclusion, assets that are still recorded on the assessee's books, but no longer exist and have been replaced. This method is particularly useful for hotel, motel, or retail businesses, where periodic refurbishing occurs, but layers of prior costs are still recorded on the books of the property owner. Using this technique, the auditor-appraiser divides the cost of the new replacement equipment by the appropriate price index factor for the original asset's year of acquisition, to arrive at an estimate of the cost of the original asset, which is then removed from the total acquisition for that year. Detailed guidance on the use of the reverse trend method is provided in chapter 6 of Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures* (AH 504).

By not properly computing the reverse trend, the assessor risks incorrectly calculating historical cost and making an incorrect estimate of the fair market value of certain business properties.

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following table displays information pertinent to the 2014-15 assessment roll:¹²

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	\$3,856,555,075
	Improvements	\$6,027,111,523
	Personal Property	\$309,839,257
	Total Secured	\$10,193,505,855
Unsecured Roll	Land	\$25,107,161
	Improvements	\$509,619,069
	Personal Property	\$754,487,379
	Total Unsecured	\$1,289,213,609
Exemptions¹³		(\$413,840,163)
	Total Assessment Roll	\$11,068,879,301

Table 2: Change in Assessed Values

The next table summarizes the change in locally assessed values over recent years:¹⁴

ROLL YEAR			
2014-15	\$11,068,879,000	3.3%	6.2%
2013-14	\$10,716,221,000	5.1%	4.3%
2012-13	\$10,193,199,000	0.4%	1.4%
2011-12	\$10,150,087,000	-2.8%	0.1%
2010-11	\$10,438,752,000	-1.8%	-1.9%

¹² Statistics provided by BOE-822, *Report of Assessed Values By City*, Imperial County.

¹³ The value of the Homeowners' Exemption is excluded from the exemptions total.

¹⁴ California State Board of Equalization Annual Report, Table 7, *Assessed Value of County-Assessed Property*.

Table 3: Gross Budget and Staffing

The assessor's budget has grown from \$2,227,500 in 2010-11 to \$2,451,531 in 2014-15.

As of the date of our survey, the assessor had 31 budgeted permanent staff. This included the assessor, assistant assessor, 13 real property appraisers, 3 business property auditor-appraisers, 2 cadastral draftspersons, 1 computer analyst, and 10 support staff.

The following table identifies the assessor's budget and staffing over recent years:¹⁵

BUDGET YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2014-15	\$2,451,531	3.7%	31
2013-14	\$2,364,063	6.2%	31
2012-13	\$2,225,834	0.0%	31
2011-12	\$2,225,834	0.0%	31
2010-11	\$2,227,500	4.3%	30

Table 4: Assessment Appeals

The following table shows the number of assessment appeals filed in recent years:¹⁶

YEAR	
2014-15	104
2013-14	171
2012-13	446
2011-12	535
2010-11	1,002

¹⁵ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

¹⁶ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

Table 5: Disaster Relief

The following table shows the number of disaster relief claims granted over recent years:¹⁷

YEAR	DISASTER RELIEF GRANTED
2014-15	15
2013-14	12
2012-13	8
2011-12	21
2010-11	57

Table 6: Religious and Church Exemptions

The following table shows religious and church exemption data for recent years:¹⁸

YEAR				
2014-15	258	\$74,075,765	16	\$6,556,871
2013-14	253	\$71,827,157	14	\$6,124,966
2012-13	253	\$69,951,497	14	\$6,618,137
2011-12	254	\$69,222,185	16	\$7,230,721
2010-11	255	\$69,132,543	15	\$6,339,972

¹⁷ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

¹⁸ Statistics provided by BOE-802, *Report on Exemptions*.

Table 7: Welfare Exemptions

The following table shows welfare exemption data for recent years:¹⁹

YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2014-15	495	\$323,821,673
2013-14	502	\$314,322,177
2012-13	474	\$304,732,686
2011-12	222	\$266,392,625
2010-11	201	\$267,260,164

Table 8: Disabled Veterans' Exemptions

The following table shows disabled veterans' exemption data for recent years:²⁰

YEAR		
2014-15		
2013-14	84	\$8,028,103
2012-13	81	\$7,365,496
2011-12	77	\$7,207,267
2010-11	79	\$7,237,897

¹⁹ Statistics provided by BOE-802, *Report on Exemptions*.

²⁰ Statistics provided by BOE-802, *Report on Exemptions*.

Table 9: Change in Ownership

The following table shows the total number of reappraisable transfers in recent years:²¹

YEAR	REAPPRAISABLE TRANSFERS
2014-15	4,553
2013-14	5,173
2012-13	7,885
2011-12	4,437
2010-11	6,050

Table 10: New Construction

The following table shows the total number of new construction assessments processed in recent years:²²

YEAR	
2014-15	917
2013-14	939
2012-13	1,000
2011-12	845
2010-11	653

²¹ Statistics for 2011-12 through 2013-14 were provided by the assessor. Statistics for 2010-11 and 2014-15 are from *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

²² Statistics were provided by the assessor.

Table 11: Declines in Value

The following table shows the total number of decline-in-value assessments in recent years.²³

YEAR	
2014-15	18,322
2013-14	26,928
2012-13	27,916
2011-12	27,942
2010-11	26,096

²³ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

Imperial County

Chief

David Yeung

Survey Program Director:

Diane Yasui

Manager, Property Tax

Survey Team Supervisor:

David Dodson

Supervisor, Property Tax

Survey Team:

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Isaac Cruz

Senior Specialist Property Auditor-Appraiser

Michael Ash

Associate Property Appraiser

Cheron Burns

Associate Property Appraiser

Lee Coleman

Associate Property Appraiser

Jennifer Prince

Associate Property Appraiser

Brian Salmon

Associate Property Appraiser

Dany Lunetta

Associate Governmental Program Analyst

APPENDIX C: RELEVANT STATUTES AND REGULATIONS

Reference	
<i>Government Code</i>	
§15640	Survey by board of county assessment procedures.
§15641	Audit of records; appraisal data not public.
§15642	Research by board employees.
§15643	When surveys to be made.
§15644	Recommendations by board.
§15645	Survey report; final survey report; assessor's report.
§15646	Copies of final survey reports to be filed with local officials.
<i>Revenue and Taxation Code</i>	
§75.60	Allocation for administration.
<i>Title 18, California Code of Regulations</i>	
Rule 370	Random selection of counties for representative sampling.
Rule 371	Significant assessment problems.

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the Board a response to the findings and recommendations in the survey report. The survey report, the assessor's response, and the BOE's comments on the assessor's response, if any, constitute the final survey report.

The Imperial County Assessor's response begins on the next page. The BOE has no comments on the response.

ROBERT MENVIELLE
ASSESSOR

JACK R. DUNNAM
ASSISTANT ASSESSOR



940 W. MAIN ST., SUITE 115
EL CENTRO, CA 92243-2874
TEL: (442) 265-1300
FAX: (442) 265-8030
www.co.imperial.ca.us/assessor

December 13, 2016

Mr. David Yeung, Chief
County Assessed Properties Division
California State Board of Equalization
160 Promenade Circle Suite 200
Sacramento, CA 95834, MIC: 64

RE: Assessor Response to Recommendations

Dear Mr. Yeung,

Thank you for allowing your staff to meet with us via conference call on November 9th regarding the draft 2014 Assessment Practices Survey report for Imperial County. This written response is made pursuant to Section 15645 of the California Government Code. I request that our response be included in your final report.

I want to compliment and thank the BOE survey team members for their professional and courteous demeanor during the time when they were conducting the Assessment Practices Survey. We appreciate their constructive comments and recommendations for improving our office practices and procedures.

I also want to take this opportunity to recognize and thank the staff of the Imperial County Assessor's Office for their dedication, hard work and commitment to excellence in serving the property and business owners of Imperial County.

Please see the attached pages for our responses to the survey team's recommendations. Do not hesitate to call me at (442) 265-1330 or contact me by email if you should have any questions.

Respectfully,

Robert Menvielle, Assessor

CC: Ms. Diane Yasui, Manager, Property Tax
Mr. David Dodson, Supervisor, Property Tax

Imperial County 2014 Assessment Practices Survey Responses

RECOMMENDATION 1: Report statistics as requested by the BOE pursuant to section 407.

Response: We concur with the recommendation and are working to improve the statistical gathering and reporting procedures.

RECOMMENDATION 2: Revise the disaster relief program by: (1) notifying disaster relief applicants of their proposed reassessments and appeal rights pursuant to section 170(c); and (2) revising the disaster relief application to meet the requirements of section 170(a).

Response: We concur with these recommendations. (1) We will properly notify property owners in writing of their opportunity to appeal a reduction in value that is a result of a disaster relief application as is required in section 170(c). (2) We have changed the disaster relief application to include an affirmation above the signature line that the damage or destruction of the property was not caused by the claimant, as is required by section 170(a).

Recommendation 3: Apply appropriate penalties as required by section 482(b) if the BOE-100-B, Statement of Change in Control and Ownership of Legal Entities, is not filed timely.

Response: We concur with the recommendation and we are now applying the penalties as is required by section 482(b).

Recommendation 4: Measure decline in value for mineral properties using the entire appraisal unit as required by Rule 469.

Response: We concur with the recommendation. The Assessor has revised the model for assessing sand and gravel properties to ensure that declines in value are recognized on each lien date as required by Rule 469.

Recommendation 5: Treat leach pads, tailing facilities, and settling ponds as a separate appraisal unit for the purpose of determining taxable value.

Response: We concur with the recommendation and have revised the procedures for appraising mining properties and now treat heap leach pads as a separate appraisal unit. Mining properties are appraised each lien date using a discounted cash flow analysis. We are now adding a separate appraisal component for the leach pads. This procedure will determine the value of both appraisal units as is required by section 53.5.

Recommendation 6: Improve the audit program by: (1) performing the minimum number of audits of professions, trades and businesses pursuant to section 469; (2) modifying the audit selection procedure to correctly develop the pool of largest audit accounts as defined by Rule

192; (3) ensuring the pool of the largest taxpayers considers all taxpayers subject to audit; and (4) obtaining a signed waiver of the statute of limitations when an audit will not be completed in a timely manner.

Response: We concur with the four items in this recommendation. (1) The Auditor-Appraiser Supervisor has developed a plan to increase the number of audits that are completed annually by the Audit-Appraisal/Business Property Section (AA/BP). The plan includes better monitoring of mandatory audits, increasing the number of months during the year that the two staff auditor-appraisers work on audits and assigning himself 25% of the mandatory audits as well as most of the non-mandatory audit workload. The Auditor-Appraiser Supervisor has also recommended that the Assessor request funding for an additional Auditor-Appraiser position and an Assessment Technician position for the AA/BP Section. During the 2016-17 budget process the Assessor's request for additional funding and an additional staff position were rejected by the Board of Supervisors. The Assessor will continue to request additional positions to assist in complying with the requirements of section 469. (2) The Auditor-Appraiser Supervisor has selected a pool of qualified accounts for audit in the next four years as is defined in Rule 192. (3) The appraisal of mining and energy properties includes the classification of assets as land, structures, personal property and fixtures. However, our final enrollment procedure combines the structure and fixture values. We are reviewing our procedures to modify the way that we classify the assets on the property tax roll to comply with Rule 192. (4) The Auditor-Appraiser Supervisor has developed a control list of the annual mandatory audits to allow for the timely scheduling of accounts to be audited and to allow the AA/BP Section staff to monitor the due dates of mandatory audit accounts so that they can request and obtain signed waivers when those accounts are in danger of going past their four year audit timeline.

Recommendation 7: Improve the business property statement program by: (1) accepting only completed business property statements; and (2) accepting only business property statements with authorized signatures in accordance with Rule 172.

Response: We concur with the two items in this recommendation. (1) Although we encourage every property owner who is required to file a Business Property Statement (BPS) under section 441 to file annually. The AA/BP Section will no longer accept as timely and complete those BPS that are missing required information. (2) We will accept only properly signed BPS for timely processing. Statements signed by someone other than a qualified or authorized signer will be returned to the filer. When we receive incomplete statements or statements with improper signatures, we will photocopy the statement and return the original to the taxpayer informing them that their filed statement has been classified as "INCOMPLETE" and if the original is not returned with the requested information or correct signature, a late filing penalty as is provided for in section 463 will be applied.

Recommendation 8: Improve the business equipment valuation program by: (1) correctly classifying machinery and equipment reported on business property statements; (2) applying appropriate trade-level adjustments; and (3) using the correct reverse trend methodology when removing value for removed assets.

Response: We concur with the three items listed in this recommendation. (1) For industries where the filers are likely to mix personal property and fixtures in their reported cost data, we will use designated factors for fixtures so that the property tax software can distinguish fixtures from personal property. (2) There are only a few accounts on our tax roll that merit trade level adjustments. When appropriate, we will apply the proper trade level adjustment to the cost of the asset to arrive at a fair market value for the asset. (3) We have adopted the guidelines that are prescribed by BOE Assessors Handbook 504. This procedure is used for large retail entities of which we have only a limited number on our property tax roll.