

**ADOPTED REGULATION OF
THE COMMITTEE ON LOCAL GOVERNMENT FINANCE**

LCB File No. R072-05

Effective February 23, 2006

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §1, NRS 354.107 and 354.624.

A REGULATION relating to local government finance; establishing the requirement that a discussion and analysis of the financial condition of a local government be included with the annual audit of the financial statements of the local government; providing certain exceptions; and providing other matters properly relating thereto.

Section 1. Chapter 354 of NAC is hereby amended by adding thereto a new section to read as follows:

1. Except as otherwise provided in this section, in providing for an annual audit of all its financial statements as required pursuant to NRS 354.624, a local government shall include a discussion and analysis of:

(a) The financial activities and financial position of the local government, including, without limitation, the reasons for any variations in the financial activities and financial position of the local government from the financial assets and financial position of the local government during the immediately preceding fiscal year;

(b) The condition of the capital assets of the local government; and

(c) Any currently known facts, decisions or conditions that are expected to affect the financial condition of the local government.

2. The Department may allow a local government to omit the discussion and analysis described in subsection 1 from the annual audit of all its financial statements as required pursuant to NRS 354.624 if the local government:

(a) Reasonably anticipates that its actual annual expenditures for the immediately succeeding fiscal year will be less than \$1,000,000;

(b) Is not a component of another local government; and

(c) Shows to the satisfaction of the Department that the completion of the discussion and analysis described in subsection 1 would impose a hardship on the local government.

3. The Department shall not require a local government which receives approval, pursuant to subsection 2, to omit the discussion and analysis described in subsection 1 to submit a plan of corrective action if the local government receives a qualified opinion from the person who conducts the annual audit and the qualified opinion is only a result of the local government omitting the discussion and analysis described in subsection 1.

4. A local government may appeal a decision of the Department made pursuant to this section to the Committee.

**NOTICE OF ADOPTION OF PROPOSED REGULATION
LCB File No. R072-05**

The Committee on Local Government Finance adopted regulations assigned LCB File No. R072-05 which pertain to chapter 354 of the Nevada Administrative Code on September 23, 2005.

Notice date: 8/23/2005
Hearing date: 9/23/2005

Date of adoption by agency: 9/23/2005
Filing date: 2/23/2006

INFORMATIONAL STATEMENT

- 1. A description of how public comment was solicited, a summary of public response, and an explanation how other interested persons may obtain a copy of the summary.**

The Department of Taxation (Department), as staff to the Committee on Local Government Finance (CLGF), solicited comments from the public by sending notice of workshops and hearings by electronic or regular mail as follows:

<u>Date of Notice</u>	<u>Workshop/ Hearing</u>	<u>Date of Workshop</u>	<u>Number Notified</u>	<u>Representing Businesses</u>
July 25, 2005	Workshop	8/11/05	375	80
August 23, 2005	Hearing	9/23/05	356	80

The mailing list included the interested parties list maintained by the Department, as well as officials of local jurisdictions subject to these regulations.

Oral comments were received at the workshop. A copy of the audio taped comments or the record of proceedings may be obtained by calling the Department at (775) 684-2100 or by writing to the Department of Taxation, 1550 East College Parkway, Carson City, Nevada 89706, or by e-mailing the Department at **lheyman@tax.state.nv.us** .

The proposed permanent regulation was submitted to the Legislative Counsel Bureau on June 24, 2005. The Legislative Counsel Bureau completed its review and revisions on July 21, 2005.

- 2. The number persons who:**

- (a) Attended and testified at each workshop:**

<u>Date of Workshop</u>	<u>Attended</u>	<u>Testified</u>
August 11, 2005	28	11

(b) **Attended and testified at each hearing:**

<u>Date of Hearing</u>	<u>Commissioners/ Public Attended</u>	<u>Public Testified</u>
September 23, 2005	9 / 20	1

(c) **Written Comments submitted to the agency:**

<u>Date of Hearing</u>	<u>Number Received</u>
September 23, 2005	0

3. A description of how comment was solicited from affected businesses, a summary of their response, and an explanation how other interested persons may obtain a copy of the summary.

Comments were solicited from affected and interested businesses and persons, by notices posted at the Nevada State Library; various Department locations throughout the state; and at the Main Public Libraries in counties where an office of the Department is not located. Comments were also solicited by direct mail to finance officers of cities, counties, general improvement districts, hospitals, schools, as well as county clerks, county assessors and the interested parties list maintained by the Department. Approximately 23% of the approximately 356 direct mail notices were sent to individuals or associations representing business.

The Department, CLGF Members, County Finance Officers, Clerks, Assessors and the general public commented on all of the proposed language changes during the workshop process. Members of the CLGF, Department, and general public commented during the Adoption Hearing.

A copy of the audio taped comments or the record of proceedings may be obtained by calling the Department at (775) 684-2100 or by writing to the Department of Taxation, 1550 East College Parkway, Carson City, Nevada 89706, or by e-mailing the Department at lheyman@tax.state.nv.us.

4. If the regulation was adopted without changing any part of the proposed regulation, a summary of the reasons for adopting the regulation without change.

The regulation was changed during the public workshop and adoption hearing to remove any conflict with GASB 34 which might cause an adverse opinion from auditors.

5. The estimated economic effect of the adopted regulation on the businesses which it is to regulate and on the public. These must be stated separately, and each case must include:

- (a) **Both adverse and beneficial effects; and**
- (b) **Both immediate and long-term effects.**

The beneficial effect is to reduce the cost to certain qualifying entities of producing the portion of an audit entitled "Management's Discussion and Analysis," thus lowering overall cost of operating government. The adverse effect is the loss of potential information. The proposed regulations present no reasonably foreseeable or anticipated immediate or long-term economic effects to businesses or to the general public.

6. The estimated cost to the agency for enforcement of the adopted regulation.

The Department anticipates little, if any, additional cost to administer the regulations.

7. A description of any regulations of other state or government agencies which the proposed regulation overlaps or duplicates and a statement explaining why the duplication or overlapping is necessary. If the regulation overlaps or duplicates a federal regulation, the name of the regulating federal agency.

There are no other state or government agency regulations that the proposed amendments duplicate.

8. If the regulation includes provisions that are more stringent than a federal regulation which regulates the same activity, a summary of such provisions.

There are no federal regulations regarding the valuation of property.

9. If the regulation provides a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.

The Committee on Local Government Finance is not aware of any provision in this regulation that provides for a new fee, or increases an existing fee.