

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

**LCB File No. R135-10**

Effective December 16, 2010

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

AUTHORITY: §§1 and 2, NRS 350.009; §§3 and 4, NRS 354.107.

A REGULATION relating to local governmental financial administration; prescribing requirements for the conversion of a temporary interfund loan into a medium-term obligation; authorizing the Executive Director of the Department of Taxation to consider any applicable rate of interest when determining whether to approve a resolution for a medium-term obligation; revising the provisions governing temporary interfund loans; and providing other matters properly relating thereto.

**Section 1.** Chapter 350 of NAC is hereby amended by adding thereto a new section to read as follows:

*1. Unless otherwise prohibited by law, the terms of a temporary interfund loan may be revised in such a manner as to convert the temporary interfund loan into a medium-term obligation if:*

*(a) The borrowing local government:*

*(1) Requests the revision at least 61 days before the date upon which the term of that temporary interfund loan expires;*

*(2) Complies with the provisions of NRS 350.087 to 350.095, inclusive, NAC 350.100 to 350.170, inclusive, and this section regarding that medium-term obligation; and*

*(3) Provides for the repayment of that medium-term obligation without adopting a budget that includes a negative fund balance in violation of subsection 5 of NRS 354.598;*

*(b) The accounting procedures of the borrowing local government comply with generally accepted accounting principles for government as prescribed by the Governmental Accounting Standards Board; and*

*(c) The lending local government agrees to the revision.*

*2. As used in this section:*

*(a) “Borrowing local government” means a local government or component unit of a local government which has obtained a temporary interfund loan.*

*(b) “Component unit” means a separate legal entity from a local government whose financial statements must be included in the annual audit of that local government conducted pursuant to NRS 354.624.*

*(c) “Lending local government” means a local government or component unit of a local government which has made a temporary interfund loan.*

*(d) “Temporary interfund loan” has the meaning ascribed to it in section 3 of this regulation.*

**Sec. 2.** NAC 350.140 is hereby amended to read as follows:

350.140 1. If the money for a medium-term obligation is obtained from an existing fund of a local government, the resolution authorizing the medium-term obligation must specify whether interest will be charged and the rate thereof, if any. *If the resolution specifies such a rate of interest, the Executive Director of the Department of Taxation may, in determining whether to approve the resolution pursuant to NRS 350.089, consider whether that rate of interest reasonably reflects current market conditions and the duration of the medium-term obligation.*

2. If the resolution does not specify whether interest will be charged on the medium-term obligation, no interest may be charged.

**Sec. 3.** Chapter 354 of NAC is hereby amended by adding thereto a new section to read as follows:

*1. Unless otherwise prohibited by law, the governing body of a local government may make a temporary interfund loan if:*

*(a) The governing body complies with the provisions of NRS 354.6118;*

*(b) Any money for the loan which is obtained from the proceeds from the sale of a bond is used only for the purposes set forth in the bond ordinances;*

*(c) The loan is not made from any debt service fund or from any fund established or maintained as a fund dedicated to the payment of bonded debt and interest;*

*(d) The resolution authorizing the loan specifies whether interest will be charged and the rate thereof, if any;*

*(e) It is agreed in writing that the loan must be repaid within 1 year after the date on which the loan was made;*

*(f) A copy of the resolution authorizing the loan is filed with the Department; and*

*(g) The governing body agrees to notify the Department when the loan has been repaid.*

*2. If the resolution authorizing the making of a temporary interfund loan does not specify whether interest will be charged as required pursuant to paragraph (d) of subsection 1, no interest may be charged.*

*3. As used in this section:*

*(a) "Component unit" means a separate legal entity from a local government whose financial statements must be included in the annual audit of that local government conducted pursuant to NRS 354.624.*

*(b) “Temporary interfund loan” means a loan of money for a term of less than 1 year from a fund to meet an immediate obligation of another fund in advance of receipt by the borrowing fund of sufficient revenues from regular sources, including such a loan from a fund of:*

*(1) A local government to:*

*(I) Another fund of that local government;*

*(II) A fund of a component unit of that local government;*

*(III) A fund of another local government; or*

*(IV) A fund of a component unit of another local government; and*

*(2) A component unit of a local government to:*

*(I) Another fund of that component unit;*

*(II) A fund of another component unit of that local government;*

*(III) A fund of that local government or of another local government; or*

*(IV) A fund of a component unit of another local government.*

**Sec. 4.** NAC 350.150 is hereby repealed.

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**TEXT OF REPEALED SECTION**

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**350.150 Temporary interfund loan. (NRS 350.009)**

1. The governing body of a local government may obtain a temporary interfund loan if:

(a) Any money for the loan which is obtained from the proceeds from the sale of a bond is used only for the purposes set forth in the bond ordinances;

(b) The loan is not made from any debt service fund or from any fund established or maintained as a fund dedicated to the payment of bonded debt and interest;

(c) The resolution authorizing the loan specifies whether interest will be charged and the rate thereof, if any;

(d) It is agreed that the loan must be repaid within 12 months following the month in which the loan was made, unless the requirements for incurring a medium-term obligation have been met;

(e) A copy of the resolution authorizing the loan is filed with the Department of Taxation; and

(f) The governing body agrees to notify the Department of Taxation when the loan has been repaid.

2. If the resolution authorizing a temporary interfund loan does not specify whether interest will be charged as required pursuant to paragraph (c) of subsection 1, no interest may be charged.

3. As used in this section, “temporary interfund loan” means borrowing money for a short term from a fund to meet an immediate obligation of another fund in advance of receipt by the borrowing fund of sufficient revenues from regular sources.

**LCB FILE R135-10**  
**Provisions Governing Temporary Interfund Loans**

**NOTICE OF ADOPTION OF REGULATION**

On October 22, 2010, the Committee on Local Government Finance adopted permanent regulations, LCB File No. R135-10, pertaining to Chapter 354 of the Nevada Revised Statutes. In particular, the adopted regulations prescribe requirements for the conversion of a temporary interfund loan into a medium-term obligation and authorize the Executive Director of the Department of Taxation to consider any applicable rate of interest when determining whether to approve a resolution for a medium-term obligation.

**LEGISLATIVE REVIEW OF ADOPTED REGULATIONS AS REQUIRED BY  
ADMINISTRATIVE PROCEDURES ACT, NRS 233B.066**

The following statement is submitted for amendments, additions and deletions, to Nevada Administrative Code (NAC) Chapter 354 adopted by the Committee on Local Government Finance (CLGF), clarifying the procedures for the reporting of property tax collections, and providing other matters properly relating thereto.

- 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, as staff to CLGF, solicited comment from the public by sending notice of workshops and hearings by electronic or regular mail as follows:

<b><u>Date of Notice</u></b>	<b><u>Workshop/ Hearing</u></b>	<b><u>Date of Hearing/ Workshop</u></b>	<b><u>Number Notified</u></b>	<b><u>Representing Businesses</u></b>
6-14-10	Workshop	6-29-10	354	80
9-21-10	Hearing	10-22-10	329	169

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 workshops and hearing. A copy of the audio taped comments or the record of proceedings may be obtained by calling the Nevada Department of Taxation 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 [srains@tax.state.nv.us](mailto:srains@tax.state.nv.us).

The Legislative Counsel Bureau completed its review and revisions on October 8, 2009.

2. The number of persons who:

(a) Attended and testified at each workshop:

<u>Date of Workshop</u>	<u>Attended</u>	<u>Testified</u>
6-14-10	12	3

(b) Attended and testified at each hearing:

<u>Date of Hearing</u>	<u>Commission/ Public Public Attended</u>	<u>Testified</u>
9-21-10	27 (includes 8 CLGF)	3

(c) Submitted to the agency written comments:

<u>Date of Workshop / Hearing</u>	<u>Number Received</u>
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No written comments were received for workshops or hearings.

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, local governments, and persons, by notices posted at the Nevada State Library; various Department of Taxation locations throughout the state; and at the Main Public Libraries in counties where an office of the Department of Taxation is not located. Comments were also solicited by direct mail to assessors and the interested parties list maintained by the Department. Approximately 51% of the approximately 329 direct mail or email notices were sent to individuals or associations representing business.

Members of the CLGF, officials of the Nevada Department of Taxation, local government officials, and members of the general public commented on some or all of the proposed language changes during the workshop process and during the Adoption Hearings.

A copy of the audio taped comments or the record of proceedings may be obtained by calling the Nevada Department of Taxation 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 [srains@tax.state.nv.us](mailto:srains@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 permanent regulation was adopted with changes reflecting the verbal comments submitted to, or received by, the Department of Taxation primarily from government entities and CLGF members during the workshops and hearings listed above. CLGF adopted the permanent regulation as revised in a workshop and at the adoption hearing; and believed no changes other than those made were necessary.

**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.**

CLGF found that the regulation does not impose a direct and significant burden upon businesses and the public in Nevada. The regulation provides the process by which temporary interfund loans may be converted into medium term financing obligations and establishing limitations related thereto.

The regulations present no reasonably foreseeable or anticipated immediate or long-term negative economic effects to businesses. The immediate and long-term effects of the regulation are to provide consistent procedures for the conversion of a temporary interfund loan into a medium-term obligation; and to provide criteria for the Department of Taxation in considering the approval of medium-term obligations.

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

The Department does not anticipate additional cost for local governments to administer the regulation.

**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.**

CLGF is not aware of any provision in this regulation which is also governed by federal regulation.



- 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.**

CLGF is not aware of any provision in this regulation that provides for a new fee, or increases an existing fee.

- 10. If the proposed regulation is likely to impose a direct and significant economic burden upon a small business or directly restricted the formation, operation or expansion of a small business? What methods did the agency use in determining the impact of the regulation on a small business?**

The Director has determined that the proposed regulation does not impose a direct and significant economic burden upon a small business or restrict the formation, operation or expansion of a small business. In making this determination the Director considered the fact that the proposed amendment only applies to activity by local and state government officials and imposes no direct requirements on any private businesses.