

**Minutes of the Subcommittee Meeting of the
COMMITTEE ON LOCAL GOVERNMENT FINANCE
October 18, 2019, 1:00 p.m.**

The meeting was held at the Nevada Department of Taxation, 1550 College Pkwy, Large Conference Room, Carson City, Nevada with videoconference to Nevada Department of Taxation, Training Room, 2550 Paseo Verde Pkwy, Henderson, Nevada. This meeting was also part of a teleconference.

COMMITTEE MEMBERS PRESENT:

Jessica Colvin, Chairman
Beth Kohn-Cole
Jeff Cronk
Gina Rackley

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Sherry Wideman	Churchill County
Jeffrey Share	Clark County Finance Dept
Maria Gueder	Clark County School District
Jeanette Duque	Clark County School District

COUNSEL TO COMMITTEE:

Peter Keegan

DEPT OF TAXATION STAFF

PRESENT:

Jeff Mitchell
Kelly Langley
Keri Gransbery
Penny Hampton
Christina Griffith
Denesa Johnston
Hector Sepulveda

ITEM 1. ROLL CALL AND OPENING REMARKS

All members were present.

ITEM 2. PUBLIC COMMENT

There was none.

ITEM 3. FOR POSSIBLE ACTION: REVIEW AND ADOPTION OF AGENDA AS SUBMITTED OR REVISED

No changes were made to the Agenda.

ITEM 4. FOR POSSIBLE ACTION: REVIEW OF RULES OF PRACTICE REQUIRED BY NRS 233B.050 AND DISCUSSION AND CONSIDERATION OF ANY RECENT CHANGES TO GASB AND DETERMINE IF FURTHER GUIDANCE IS NECESSARY

(a) To determine if regulations or guidance is needed to provide clarification on fund balance in regards to restricted vs unrestricted ending fund balance

Chairman Colvin asked the Department to give the background on this meeting.

Jeffrey Mitchell, with the Department of Taxation, explained the term restricted and unrestricted has come up, specifically with one of the qualifications of placing an entity on fiscal watch. He thinks there is some confusion. He specified this is a general question if the Committee feels the Department of Taxation (Department) should do a guidance letter, or if the regulations should be opened. Chairman Colvin asked if he was referring to the actual budget submission.

Member Kohn-Cole believes that is already in the budget, noting that GASB defines restricted and unrestricted so it does not need to be in the regulations. She mentioned Mary Walkers subcommittee was addressing that. She personally would not change it.

Member Cronk asked the Department where the confusion is, what current common practice is, and what guidance the Department has given. Mr. Mitchell responded that the only confusion he has seen is the most recent entity placed on fiscal watch, one of the elements cited was an ending fund balance below the threshold

outlined in NRS and NAC and they had asked if the Department was looking at restricted or unrestricted funds. The Department responded that it is the ending fund balance as stated.

Member Cronk asked for clarification if the Department makes that determination based on what is in the state document. Kelly Langley, with the Department, confirmed, adding that it is not specified in their budgets. It is beginning and ending fund balance. The Department does not differentiate. The Committee on Local Government has been asked if it is restricted or unrestricted. That is sometimes provided in the audits, but when the Department looks at the budget, they don't look at the audits and they don't track that. She thought maybe the Committee would like to see that differentiated on the reports the Department provides.

Member Cronk asked if the concern is mainly for fiscal watch, or if there are other issues where this comes up. Mr. Mitchell replied that it isn't necessarily a concern on the Departments part but something that was brought up and he feels it was worthy of discussion. Ms. Langley added from the local governments point of view, especially when on fiscal watch, they want the Department to start differentiating between restricted and unrestricted. Specifically, regarding GASB 84, she wonders if they and the Committee should be more concerned with it now.

Member Cronk stated that it raises some difficulty. The problem is that those distinctions are not made until after the books are closed, so they aren't prepared to put that in the budget. He thinks if there is an avenue where they could speak to it, to explain it, he thinks that would be sufficient.

Chairman Colvin noted that Clark County has a way to estimate that and separate restricted from unrestricted. It is a long process. She thinks if their revenue is in a special revenue or capital project fund, it is not a concern to the Committee or the Department, they are more worried about the General Fund. She thinks it could be beneficial to know how much of the General Fund is restricted. There is also an issue with GASB 84 where some of the trusts and fiduciary funds become part of the General Fund and the Department wants to know how much of that is restricted. She agrees it creates a lot more work to do that. She suggested they maybe ask for just for fiscal watch to have the differentiated funds.

Member Kohn-Cole noted that the other subcommittee is addressing that. She also suggested putting the budget stabilization funds in the budget forms. Penny Hampton, with the Department, explained the stabilization funds are typically moved over in the audit.

(b) To discuss GASB 84 and any other recent accounting changes in GASB that may require regulation or guidance

Chairman Colvin noted the changes in GASB 84 change the definition to reporting models. She added that the question is whether the Department will be impacted. She is not sure this will cause additional concern for the Department, but could for local governments, they may need to change the year end or have additional audits done.

Member Kohn-Cole asked for clarification if the new component units will be part of the local government budget, or if they will need to submit their own budgets. Ms. Hampton noted it would be included in their budgets as a separate fund.

Chairman Colvin noted that per statute OPEB submits their own budget to the Department and wondered if component units would need to do a separate one.

Ms. Langley stated the Department currently gets those within the budget as a separate fund. Ms. Hampton added that they do submit budgets. Chairman Colvin stated that OPEB trusts are not funds, they are separate entities.

Member Kohn-Cole noted Washoe County has an OPEB trust and asked Ms. Langley how that is reported. She replied that she believes it is in their budget as a fund. It is being filed as a fund within Washoe County. Member Kohn-Cole stated there may be other entities that are not already pulling this into their budget. Chairman Colvin noted with the implementation, when pulling these funds in to the financial statement, a budget would also need to be filed.

Member Kohn-Cole asked if the Department should send an email to the local governments to see how many will be impacted by GASB 84. Member Cronk thinks it would be very few of them. Ms. Hampton thinks it would mostly be the counties, school districts, cities and smaller governments. Ms. Langley suggested sending it out with the budget package as a reminder.

Chairman Colvin stated it should be noted if they had a 457 or 401A plan it could roll into this as well if they had a government match requirement. She likes the idea of sending a questionnaire to see what the impact would be.

Member Kohn-Cole questioned if they just have a 457 plan if it would automatically come in or if there are control issues. Mr. Keegan noted on page 4 of the PDF, it identifies that.

Chairman Colvin thinks there are entities that have a 457 that are employee contribution only, but the 401A plan that is employer contribution only could be brought in. Member Kohn-Cole thinks this may take some smaller local governments by surprise. Ms. Hampton noted the smaller governments are likely part of PERS.

Member Rackley agrees with Ms. Hampton.

Chairman Colvin suggested putting together a questionnaire to get an idea of the impact and provide guidance on things to think about. Year end could mess them up. Ms. Langley asked the subcommittee to assist the Department with the questionnaire. Chairman Colvin stated her staff could help, and maybe Eide Bailey as well. Member Kohn-Cole asked if Chairman Colvin's staff could put something together to send to the rest of the committee. Chairman Colvin agreed noting she would forward it to the Department.

Member Kohn-Cole noted that the new terminology is Net Position instead of Fund Balance. Net Position is not defined, she thinks maybe they should add something for that. Chairman Colvin agreed.

Member Colvin referred to GASB 87, regarding leases. All leases can now be capitalized. She thinks these should be reported under schedule C1 in the budget documents. Clark County has over 50 leases, she wonders if they want some other category for these.

Member Kohn-Cole thinks FASB was extended the lease provision another year, she is not sure on GASB. Chairman Colvin believes it is the next 2 years. She wondered if they want to change the budget form.

Member Rackley pulled up the GASB website noting it states December 15, 2019. Member Kohn-Cole thought they extended it.

Ms. Hampton noted they don't treat leases as debt. Member Kohn-Cole stated it is the new standard. Member Kohn-Cole added that it might not affect the budgeted, Member Cronk added that it might not need to be reported.

Chairman Colvin agrees, adding the payment needs to be reported. Member Kohn-Cole added that it would move out of services and supplies to debt service, Chairman Colvin confirmed. She thinks they should look closely at how the Department wants to see that information.

Chairman Colvin asked if someone on the committee could provide the Department with an update on GASB 87 regarding the implementation date. Member Kohn-Cole volunteered.

Chairman Colvin noted if the effective date is December 2019, that would mean they will see it July 1, 2020. Member Kohn-Cole stated she would check and send an email.

Ms. Langley noted if they want to change any of their forms it would need to be done before January to be effective for July 2020. Member Kohn-Cole will look at that and email the committee.

Chairman Colvin asked the members to look at their leases and see how that will impact them. Ms. Langley agreed. Mr. Mitchell asked if they meet in early December, if they would like the Department to bring possible changes to their forms. They agreed. He noted one of the ones he sees is the C1a or b. Ms. Hampton noted C1 has different types of debt. Member Kohn-Cole noted it would be nice to have all the leases on a separate one.

Member Cronk noted that could be a lot of leases, that maybe they could combine them as another option. Ms. Langley liked that option. Chairman Colvin liked that as well, she added that she would reach out to the airports.

Member Kohn-Cole referred to the Eide Bailey website, stating the standard is not applicable until a period after December 15, 2019. She confirmed that is this budget period coming up, so this needs to be addressed.

Chairman Colvin asked if there were any other GASB changes. Member Kohn-Cole thinks all local governments should have a footnote this year. Ms. Langley asked if there should be a separate notice to them. Member Kohn-Cole noted if they are doing GASB 84, they should highlight GASB 87 at the same time. Member Cronk agreed.

Member Kohn-Cole asked if they meet in November if the survey could be back in time. Chairman Colvin stated they should be able to get something sent out next week, giving them two weeks to reply.

ITEM 5. FOR POSSIBLE ACTION: SCHEDULE DATE AND REVIEW AGENDA TOPICS FOR THE NEXT MEETING

Chairman Colvin stated for the next meeting they will go through the surveys on GASB 84 and discuss what guidance they should provide. The Department will bring options for GASB 87 regarding budget reporting.

Member Cronk asked if they should discuss Net Position more. Mr. Mitchell noted they will be opening regulations on fiscal watch, and they could look at that then during the workshop. Ideas can be handled through the workshop, he has this on his radar.

Member Kohn-Cole noted she will double check that GASB 87 didn't get extended.

ITEM 6. PUBLIC COMMENT (See Note 2)

There was none.

ITEM 7. FOR POSSIBLE ACTION: ADJOURNMENT

Meeting was adjourned at 1:18 p.m.

DRAFT
Minutes of the Subcommittee Meeting of the
COMMITTEE ON LOCAL GOVERNMENT FINANCE
October 18, 2019, 1:00 p.m.

The meeting was held at the Nevada Department of Taxation, 1550 College Pkwy, Large Conference Room, Carson City, Nevada with videoconference to Nevada Department of Taxation, Training Room, 2550 Paseo Verde Pkwy, Henderson, Nevada. This meeting was also part of a teleconference.

COMMITTEE MEMBERS PRESENT:

Jessica Colvin, Chairman
Beth Kohn-Cole
Jeff Cronk
Gina Rackley

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Sherry Wideman	Churchill County
Jeffrey Share	Clark County Finance Dept
Maria Gueder	Clark County School District
Jeanette Duque	Clark County School District

COUNSEL TO COMMITTEE:

Peter Keegan

**DEPT OF TAXATION STAFF
PRESENT:**

Jeff Mitchell
Kelly Langley
Keri Gransbery
Penny Hampton
Christina Griffith
Denesa Johnston
Hector Sepulveda

ITEM 1. ROLL CALL AND OPENING REMARKS

All members were present.

ITEM 2. PUBLIC COMMENT

There was none.

ITEM 3. FOR POSSIBLE ACTION: REVIEW AND ADOPTION OF AGENDA AS SUBMITTED OR REVISED

No changes were made to the Agenda.

ITEM 4. FOR POSSIBLE ACTION: REVIEW OF RULES OF PRACTICE REQUIRED BY NRS 233B.050 AND DISCUSSION AND CONSIDERATION OF ANY RECENT CHANGES TO GASB AND DETERMINE IF FURTHER GUIDANCE IS NECESSARY

- (a) To determine if regulations or guidance is needed to provide clarification on fund balance in regards to restricted vs unrestricted ending fund balance**

Chairman Colvin asked the Department to give the background on this meeting.

Jeffrey Mitchell, with the Department of Taxation, explained the term restricted and unrestricted has come up, specifically with one of the qualifications of placing an entity on fiscal watch. He thinks there is some confusion. He specified this is a general question if the Committee feels the Department of Taxation (Department) should do a guidance letter, or if the regulations should be opened. Chairman Colvin asked if he was referring to the actual budget submission.

Member Kohn-Cole believes that is already in the budget, noting that GASB defines restricted and unrestricted so it does not need to be in the regulations. She mentioned Mary Walkers subcommittee was addressing that. She personally would not change it.

Member Cronk asked the Department where the confusion is, what current common practice is, and what guidance the Department has given. Mr. Mitchell responded that the only confusion he has seen is the most recent entity placed on fiscal watch, one of the elements cited was an ending fund balance below the threshold