

**DRAFT**  
**Minutes of the Meeting**  
**COMMITTEE ON LOCAL GOVERNMENT FINANCE**  
**SUBCOMMITTEE ON ENTERPRISE AND SPECIAL REVENUE FUND GUIDANCE**  
**August 27, 2015**  
**10:00 a.m.**

The meeting was held at Reno City Hall located at 1 East First Street, 7<sup>th</sup> Floor Caucus Room, Reno, Nevada. This meeting was also part of a teleconference.

**COMMITTEE MEMBERS PRESENT:**

Beth Kohn-Cole, Chairman  
Alan Kalt  
John Sherman

**COUNSEL TO COMMITTEE**

Melissa Flatley

**MEMBERS OF THE PUBLIC PRESENT:**

<b>Name</b>	<b>Representing</b>
Jill Olsen	City of Reno
Fred James	Clark County Library District
Jim McIntosh	Clark County School District
Gerald Eick	IVGID
Amy Fanning	Nye County

**DEPT OF TAXATION STAFF PRESENT:**

Terry Rubald  
Kelly Langley  
Susan Lewis  
Janie Ware

Action may be taken on the items indicated in **BOLD**:

1. Roll Call and Opening Remarks

Chairman Beth Kohn-Cole called the meeting to order at 10:02 a.m. Jane Ware, Administrative Assistant, Department of Taxation (Department), took roll call. All Subcommittee members were present, and there was a quorum.

2. Public Comment

There was no public comment.

3. **For Possible Action: Discussion and Consideration of Proposed Guidance Letter regarding the nature and use of special revenue funds and enterprise funds; discussion of revisions since last meeting**

Terry Rubald, Deputy Executive Director, Department of Taxation, went through the revisions to the guidance letter. She incorporated the comments from the last meeting. Chairman Kohn-Cole had asked for clarification that this guidance letter would not change anything that is being done now. The intent is not to change any procedures but just have a discussion about the difference between a special revenue fund and an enterprise fund and provide additional resource material. The second paragraph added under the summary gives clarification. We want to reassure everyone that this does not change any current interpretations of accounting principles. It is just to raise awareness of the issues in using special revenue funds and enterprise funds. To answer some of the other questions, she referenced GASB 33, Accounting and Financial Reporting for Nonexchange Transactions. At the last meeting Member Sherman commented that it would be helpful to

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explain the references pertaining to the NAC. Ms. Rubald added this in two places. On the top of the second page, it now states that NRS 354.553 and NRS 354.570 are the references to the definitions of a proprietary and special revenue fund. Also, there is now an Exhibit 5 that lists the main NRS referenced in the entire document. At the last meeting, there was discussion regarding the difference between exchange and nonexchange transactions. So in the second paragraph on the second page, Ms. Rubald referenced GASB 33. It is a direct quote regarding the difference. Ms. Rubald added the sentence that an enterprise fund is generally an exchange transaction. The material describing an enterprise fund is essentially the same, quoting GASB 34. As suggested, more examples are provided. Ms. Rubald gave a background of the NRS framework of a typical enterprise fund. Special revenue fund is the same as last time. Member Sherman wanted to have further discussion on substantial portion of inflows. Member Kalt provided Ms. Rubald with what he does, and she added some examples of a special revenue fund in the appendix. Ms. Rubald put a sentence at the bottom of each example that states "the revenue source meets the definition of a committed fund source because the governing board took formal action to restrict the use of the revenue. However, we would need more information to determine whether those committed funds represent a substantial portion, at least 20%." The next example of a special revenue fund is a fire district, or is it a special revenue fund? If you have a fund that is set aside for emergencies, an analysis in GASB 54 states you have to be more specific. You have to state exactly what kind of expenditures you must have. This is why Ms. Rubald changed the title on fire districts. You might think of the emergency fund on fire districts as a special revenue fund, but it may not be if you do not have a resolution backing it up with a restriction. The original example is a General Improvement District (GID). You usually think of GIDs as enterprise funds, but it is possible to consider them as special revenue funds depending on the criteria. This is what is taking place with Incline Village General Improvement District (IVGID).

Chairman Kohn-Cole stated Terry Rubald did an amazing job on this.

Member Sherman suggested on Page 6, the second example of a special revenue fund, regarding the revenue source tax of 1/8<sup>th</sup> of 1%, that "sales tax" be inserted.

Terry Rubald commented that she hopes this will be helpful for people without a financial background.

Member Kalt stated he appreciates the hard work. In small rural communities, sometime general obligation (GO) backing is needed for enterprise funds so they can go to the state bond bank to get a lower interest rate. It would still remain an enterprise fund. He wanted to point this out because some of the language is lifted straight from the standards in practice.

Terry Rubald asked where she should add this comment.

Chairman Kohn-Cole suggested adding this to (a) on the third page, where it talks about activity finance solely by debt.

Member Sherman stated this requirement is good guidance, but there are exceptions. If you do GO backed revenue bonds, it does not automatically flip you from an enterprise fund to a special revenue fund. He understands this to say that if it meets these criteria, it would most likely be an enterprise fund. However, the reverse is not true.

Chairman Kohn-Cole stated they cannot rely totally on this guidance letter for everything. They must understand the full impact of what they are doing.

Terry Rubald suggested putting a caveat after these paragraphs from GASB 34 and state that in practice there are exceptions.

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Member Sherman stated that (a) is the only one where there is this exception.

Member Kalt asked if we should have something in the guidance letter regarding the flow of funds. It does address this in the standards.

Terry Rubald asked if she should have another caveat in bold that each local government should have a flow of fund policy, and if there is no formal election, then by default the categories in GASB 54 apply.

Member Kalt responded that this would be restating the obvious for a technical person. For a person that does not understand the standard, that sentence may be helpful.

Chairman Kohn-Cole stated we will not be able to put everything in.

Member John Sherman suggested inserting "financial statement reporting requirements." The Subcommittee members agreed.

Member Kalt stated that you can have a special revenue fund stabilization agreement if you meet the very strict application of GASB 54. If you have a rainy day fund or stabilization fund, it does not have to automatically be in the general fund if it is done properly.

Gerry Eick stated that the guidance letter is well done. From a user perspective, it is very effective in terms of the examples.

Member Kalt moved that we take this guidance letter to full Committee with the suggested changes discussed today. Member Sherman made the second motion. The motion carried.

Chairman Kohn-Cole suggested taking the administrative code modifications pertaining to GASB 54 to the full Committee.

4. BRIEFING TO AND FROM THE SUBCOMMITTEE ON LOCAL GOVERNMENT FINANCE AND LOCAL GOVERNMENT FINANCE STAFF
  - a) Discussion of Matters Affecting Local Governments
  - b) For Possible Action: Schedule Date and Review Agenda Topics for the Next Meeting**

Terry Rubald asked if the Subcommittee wanted her to put on the agenda of the full CLGF meeting that they would like to pursue changes to conform with GASB.

Member Sherman responded that we should see how they feel about this. He had some thoughts about the minutes from the last meeting.

Terry Rubald stated the minutes can be approved at the full CLGF meeting.

5. Public Comment

There was no public comment.

6. **For Possible Action: ADJOURNMENT**

The meeting adjourned at 10:27 a.m.