



STATE OF NEVADA
DEPARTMENT OF TAXATION

Web Site: <http://tax.state.nv.us>

1550 College Parkway, Suite 115
Carson City, Nevada 89706-7937
Phone: (775) 684-2000 Fax: (775) 684-2020

RENO OFFICE
4600 Kietzke Lane
Building L, Suite 235
Reno, Nevada 89502
Phone: (775) 687-9999
Fax: (775) 688-1303

BRIAN SANDOVAL
Governor
ROBERT R. BARENGO
Chair, Nevada Tax Commission
WILLIAM CHISEL
Executive Director

LAS VEGAS OFFICE
Grant Sawyer Office Building, Suite 1300
555 E. Washington Avenue
Las Vegas, Nevada 89101
Phone: (702) 486-2300 Fax: (702) 486-2373

HENDERSON OFFICE
2550 Paseo Verde Parkway, Suite
180
Henderson, Nevada 89074
Phone: (702) 486-2300
Fax: (702) 486-3377

In the Matter of:)
Approval of the Performance Audit #1001)
Of Land Valuation Methods)

NOTICE OF DECISION

Appearances

Terry Rubald, Chief of the Division of Assessment Standards, and Bonnie Duke, Auditor II, appeared on behalf of the Department of Taxation.

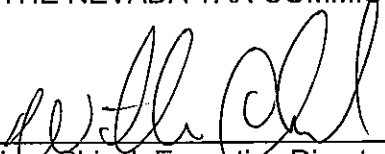
Summary

The matter of the approval of the Performance Audit #1001, Land Valuation, came before the Nevada Tax Commission (Commission) for hearing in Carson City, Nevada, on March 9, 2012 after due notice to each Assessor. The Commission reviewed the Performance Audit #1001 as well as the County Economic and Demographic Summary prepared by the Department pursuant to NAC 360.734. Ms. Duke discussed the methodology used to prepare the report and the observations and conclusions obtained from the audit.

DECISION

The Commission, having considered all evidence and testimony pertaining to the matter, hereby adopts Performance Audit #1001 and the associated Economic and Demographic Summary presented by the Department, including the recommendations for corrective action. The Department is directed to notify each auditee of this acceptance.

BY THE NEVADA TAX COMMISSION THIS 27th DAY OF MARCH, 2012.



William Chisel, Executive Director

cc: County Assessors
Gina Session, Chief Deputy Attorney General



DEPARTMENT OF TAXATION

Division of Assessment Standards

Performance Audit

#1001 – Land Valuation

DIVISION OF ASSESSMENT STANDARDS

Performance Audit #1001 – Land Valuation

Department of Taxation
Division of Assessment Standards
1550 College Parkway • Suite 115
Carson City, Nevada 89706
Phone 775.684.2100 • Fax 775.684.2020

Published March 9, 2012



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Carson City, Nevada 89706-7937
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HENDERSON OFFICE
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Henderson, Nevada 89074
Phone: (702) 486-2300
Fax: (702) 486-3377

March 9, 2012

Nevada Tax Commission
State Board of Equalization
County Boards of Equalization
County Boards of Commissioners or Board of Supervisors

We completed audits of each of the 17 County Assessor Offices regarding land valuation procedures and practices. The audits are part of the ongoing Performance Audit Program of the Nevada Department of Taxation, Division of Assessment Standards, as authorized by NRS 360.200, 360.215(2), 360.215(6), 360.250, and 361.333(1)(b)(2). The performance audit program is also described in Regulation LCB File number R-039-10. The purpose the Performance Audit Program is to improve administration of the Nevada system of property tax by providing the Assessors' Offices, other county offices, the Nevada Tax Commission, the State Board of Equalization, county boards of equalization, Boards of Commissioners (or Board of Supervisors), and the Nevada citizens with independent and reliable information about the operations of programs, activities, and functions. The results of our audits, including findings, conclusions, recommendations, and the responses from the 17 counties, are presented in this report.

Circumstances were documented during the audit that did not result in findings but that will require follow-up in future audits. Therefore, the scope and objectives of the audits were limited. In general, these issues will require further direction from the Department to the Assessors, Attorney General Opinions or development of regulations to provide guidance to Assessors. Please see page 3-5 for a complete description of these issues. Following is a brief summary of these issues:

1. Method of Recording and Reporting Centrally Assessed Utility Property
2. Valuation of Land Underlying Commercial Facilities at Golf Courses
3. Valuation of Golf Course Land Owned by Exempt Entities
4. Valuation of Sand, Gravel, Decorative Rock and Similar Properties
5. Valuation of Possessory Interests on Public Airports and Public Land
6. Subdivision Discounts
7. Standardization of the Form for the Affidavit of Labor on Patented Mining Claim for the Exemption of Taxes per NRS 362.050

Audit Transmittal Letter
March 9, 2012

Although audit procedures were performed in these areas, the criteria for any finding could not be adequately defined. Issuance of guidance letters, Attorney General Opinions or adoption of regulations, as needed, will provide the necessary criteria. Following the issuance and implementation of guidance to assessors, these issues can be addressed in subsequent Performance Audits. The Department discussed these issues with each County Assessor.

We wish to express our appreciation to the 17 Assessors, their staffs, and other county officials for their assistance during the audit.

Respectfully,

Terry Rubald
Chief, Division of Assessment Standards
Nevada Department of Taxation

Date Field Work Completed: June 30, 2011
Date Report Issued: March 9, 2012
Carson City, Nevada

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1 Organization of the Report

The Land Valuation Performance Audit project essentially consisted of 17 separate audits of each county in the State of Nevada. Therefore, the sections of this report for each county are meant to stand alone or to become “lift-able” reports of the separate audits.

One of the purposes of the project was to provide a means of comparison between the counties. Therefore, the results of the entire project are included in this single report.

The Executive Summary section of the report provides background information on the property tax system in Nevada, an overview of the Land Valuation project, and highlights of the results of the project. Major findings are included in the Executive Summary. The Executive Summary also provides a reference to the Assessors’ responses to the findings contained in the body of the report.

The Introduction section provides a brief background of the Land Valuation project. The scope and objectives for the project are detailed in the Introduction section. The introduction section also provides explanation of issues that were discovered in the audit that did not result in findings. These issues, generally, are items that require Department action to improve the Department’s direction and guidance to assessors.

The Comparison section provides tables and narrative to compare and contrast the processes used in each county and to provide meaningful comparison of processes that achieve the same objective though seemingly different means. For example, one county may use computer programs to perform a function and another county may perform the function manually. As long as the elements of the function are significantly the same, both methods are acceptable. The Comparison section also contains summaries of operational, economic and demographic data.

The next 17 sections of the report contain the results of the audits of each county. Each county section contains the same headings to facilitate comparison between counties. Each section contains basic organizational and statistical information on each county. Economic and demographic information varies greatly from county to county. An understanding of the economics of each local economy facilitates an understanding of trends in land valuation. Please see the separate report published by the Department entitled County Economic and Demographic Summary for an overview. The findings and recommendations for each county are described in detail. Each section also contains a description of the audit methodology used. The methodology may vary depending on the characteristics of the county. For example, in the smaller counties, the entire population for a given test could be examined, whereas in larger counties, sampling was used to determine compliance. Each section also contains the response from the Assessor and whether or not the Assessor accepted or rejected the findings. Some of the discussion in each of these sections may seem repetitive, but these sections are meant to be “lift-able” or stand-alone reports.

The report contains four appendices. Appendix A, Overview of Land Valuation, provides descriptions of various aspects used in the processes to assign values to land parcels. This section provides references to statutes, regulations, and generally accepted mass appraisal standards. The topics are arranged in alphabetical order to facilitate lookup of an item if the reader has questions about a topic in the body of the report. Appendix B contains a glossary of terms. Appendix C, Work Flowchart, contains generic flowcharts for work processes that occur in every county for land valuation. These flowcharts do not reflect a particular county but are meant to represent general processes that occur in each county. Each county may approach the process differently (for example, one county may have a manual system and another county a computerized system) but the basic process occurs. Appendix D, 10-11 Tax Year Timelines, shows the timing of processes only for the 10-11 rolls. Note that the processes occur over a much longer period than 12 months and involve locally assessed and centrally assessed property and the net proceeds of minerals tax. In addition, there are secured and unsecured rolls for both locally and centrally assessed property. Assessors and the Department are always working on multiple years at one time. This can be confusing so Appendix D isolates the timeline for the 10-11 Tax Year, excluding tasks related to other tax years.

2 Executive Summary



2.1 Background

The County Assessors in each of the 17 Nevada counties carry out statutory duties related to administration of the Nevada property tax system. The duties include, among other things, determining taxable value and assessed value of real property, personal property and possessory interests in compliance with statutes, regulations, and generally accepted mass appraisal standards. County Assessors are elected officials and the operation of each Assessor's office is funded locally.

The Nevada Tax Commission directs¹ county assessors and other county officials in their duties in administering the property tax system in the State of Nevada. The Nevada Department of Taxation (Department) provides staff support to the Nevada Tax

¹ See NRS 360.250(2)(a)

Commission and, among other things, supervises assessment procedures² used by the county assessors. Each county has a Board of Equalization³ to process appeals and equalize valuations. The State Board of Equalization⁴ exists to hear certain appeals directly, to hear appeals of county Board of Equalization decisions, and to equalize valuations. The Department also provides staff support to the State Board of Equalization. The County Board of Commissioners or Board of Supervisors performs certain statutory duties⁵ related to the property tax system including, among other things, approving the annual budget for the various offices charged with administration of the property tax system. County Recorders, Clerks, Treasurers, District Attorneys, and Sheriffs also have statutory duties⁶ related to the property tax system.

Statewide, county assessors and their office staff include approximately 294 authorized positions representing 292 Full Time Equivalents (FTE). Assessors annually value approximately 1.2 million parcels of land representing an estimated total assessed value of \$79⁷ billion, before exemptions. Assessed value is 35% of taxable value; therefore, the taxable value of locally assessed land, before exemptions, in Nevada is approximately \$225 billion. Total Taxable Value of land does not necessarily represent market value due to various statutes that assess certain lands at less than market value. In addition, all or a part of taxable value may be exempt from taxation under various statutes. In addition to exemptions, there are also tax abatements that further limit the tax on property in Nevada.

In addition to land valuation, county assessors annually list improvements and other personal property representing a total assessed value of approximately \$73⁸ billion or a taxable value of \$209 billion. Of the \$209 billion taxable value, approximately \$2.3 billion represents appraisals by Department personnel on behalf of the County Assessors. Total taxable value does not necessarily represent market value due to various statutes that assess improvements at less than market value. The scope of this audit does not include procedures and practices to value improvements and personal property.

² NRS 360.125(2), NRS 360.215(6), NRS 360.200, NRS 361.333(1)(b)(2)

³ NRS 361.334 through .365

⁴ NRS 361.375 through 435

⁵ NRS 361.255, 361.340, 361.768, 361.425, 361.453, 361.455, 361.460

⁶ NRS 361.480, 361.475, 361.483, 361.5605, 361.5648 thru 361.395, 361.736 thru 361.7898, 361.745, 361.755, 517, 362, 361.

⁷ Per 2009-2010 Statistical Analysis of the Roll Statewide Summary of Land on Secured Roll, page 1

⁸ Per 2009-2010 Statistical Analysis of the Roll Statewide Summary of Improvements on Secured Roll plus Total Unsecured Roll

Certain lands in Nevada are “centrally assessed” by the Department⁹ as part of unit valuations¹⁰. The centrally assessed roll represents assessed value of approximately \$3.7 billion or taxable value of \$10.6 billion. Centrally assessed values are not included in the above county figures.

The Department administers the Net Proceeds of Minerals Tax. The equivalent assessed value for 09-10 was approximately \$1.8 billion representing taxable value of approximately \$5.1 billion

In summary, the Department and local assessors annually value property in excess of \$156 billion assessed value or \$446 billion taxable value, before exemptions¹¹. In addition, the Net Proceeds of Minerals Tax equates to an additional \$1.8 billion of assessed value or \$5.1 billion in taxable value. The following table summarizes this information.

<i>Amounts in billions of dollars</i>	Assessed Value	Taxable Value
Assessor Appraisals	\$151.6	\$433.1
Dept Appraisals for Assessor	\$0.9	\$2.6
Centrally Assessed	\$3.7	\$10.6
Subtotal Total	\$156.2	\$446.3
Net Proceeds of Minerals	\$1.8	\$5.1
Total	\$158.0	\$451.4

2.2 Purpose

The purpose of this project was to evaluate each of the 17 counties’ practices related to valuation of land for property tax assessment, including whether activities were carried out in accordance with applicable state laws, regulations, policies, and procedures. The project focused on each of the 17 counties’ activities for the 2010-2011 secured roll cycle beginning in May 2009 and ending October or November 2010. Any land values billed on the 2009-2010 unsecured roll were also included in the scope of the project. The audits also included activities through June 2011 for certain areas. The majority of activities during this time period were used to determine value for the 2010-2011¹² tax year.

⁹ Centrally assessed appraisals performed by the Department are subject to review and certification of the Nevada Tax Commission.

¹⁰ In unit valuation, the Department values all the assets of a company as an economic unit rather than valuing each individual item.

¹¹ Per 2009-10 Statistical Analysis of the Roll – Statewide Summary

¹² See the timeline included as Appendix D for the major statutory deadlines related to a tax year cycle. Appendix D lists only the major deadlines related to the 2010-2011. Many other activities occur during the time period, but Appendix D attempts to isolate only the major events in a tax year cycle.

2.3 Results in Brief

The vast majority of land values throughout the State for assessment purposes were derived using the sales comparison approach with valid vacant land sales or adjusted improved sales as input. The resulting mass appraisal analyses were then applied to each parcel in the defined market areas.

Each of the 17 counties, in general, had adequate policies and procedures in place to record and to verify sales data. All but Mineral County had adequate policies and procedures related to analysis of sales data for using the sales comparison approach for mass appraisal. One finding was noted.

Eight of the 17 counties used alternative methods for land sales data because sufficient valid vacant land sales were not available. Alternative methods under the sales comparison approach used are abstraction, allocation, cost of development, capitalization of ground rents, and land residual. Two of the 17 counties used alternative methods of land valuation only as a comparison or reconciliation of land values determined using other methods. Seven of the 17 counties did not use alternative valuation methods at all.

All of the counties had adequate procedures to record changes, such as zoning changes, parcel changes, and property characteristics, in their records. No findings were noted. Fourteen of the 17 counties had findings related to documentation supporting site adjustments.

Ten of the 17 counties had findings related to the mapping and valuation of the surface of patented mining claims per NRS 362 and NAC 362. One additional finding was noted for valuation of the surface of mining claims.

Sixteen of the 17 counties had adequate procedures to properly assess agricultural land pursuant to NRS 361A and NAC 361A. One finding was noted.

Sixteen of the 17 counties had adequate procedures to apply the subdivision discount per NAC 361.129 and 361.1295. One finding was noted.

All 17 counties re-appraise land annually and therefore do not submit requests for land factors pursuant to NRS 361.260(5)(b). Physical inspection generally occurs every five years. No findings were noted.

All 17 counties have adequate procedures in place to apply changes based following closing of the roll for (1) Assessor's request to the County Commission, (2) County Board of Equalization, and (3) State Board of Equalization. No findings were noted.

Twelve of the 17 counties had procedures in place to properly post land values to the billing programs. Five findings were noted.

2.4 Principal Findings

The following table summarizes the principal findings contained in the report

Finding	Carson	Churchill	Clark	Douglas	Elko	Esmeralda	Eureka	Humboldt	Lander	Lincoln	Lyon	Mineral	Nye	Pershing	Storey	Washoe	White Pine
Golf Course												06	01				
Patented Mining Claims		01, 02			01, 02	01, 02	01, 02		01, 02	01, 02	02	07, 08	02, 03	01, 02	01, 02		01, 02
Agricultural			01														
Non-contiguous parcels					03												
“Posting” errors						03				03		04		03			03
Site Adjustment Support	01				04	04	03	01	03	04	01	05	04	04	03		04
Sales Database												01		05			08
County Commission actions										05				06			
Land excluded from database					05					06		11	05				
Information not maintained on Internet						06				07		10					05
Possessory Interest – Oil and Gas						05						09					
Market Area Definitions												02					
Subdivision Discount														07			
Analysis (Mass Appraisal)												03					06, 07
Appraisal Records Not Available															04		

Note: The numbers in the table correspond with the findings in each county section of the report. For example, the “01” and the “02” listed under Churchill County on the line “Patented Mining Claims” correspond with findings #1001-CH01 and #1001-CH02 located on pages 6-5 and 6-6.

2.5 Agency Responses

Sixteen of the 17 counties, in response to the audit report, accepted the recommendations. Esmeralda County rejected the findings related to mapping and valuation of patented mining claims. The responses are included in the body of the report at the following locations:

Carson City Page 5-9	Churchill County Page 6-11	Clark County Page 7-11	Douglas County Page 8-9
Elko County Page 9-13	Esmeralda County Page 10-14	Eureka County Page 11-12	Humboldt County Page 12-9
Lander County Page 13-11	Lincoln County Page 14-13	Lyon County Page 15-9	Mineral County Page 16-17
Nye County Page 17-12	Pershing County Page 18-14	Storey County Page 19-11	Washoe County Page 20-9
White Pine County Page 21-14			

3 Introduction

3.1 Background

The mission of the various counties in relation to land valuation is to perform accurate and equitable assessments in conformance with Nevada statutes, regulations, and generally accepted mass appraisal standards. Counties also strive to provide quality customer service in compliance with the taxpayer bill of rights.

County Assessors value all land within their respective counties except land owned by “utilities” that is “centrally assessed” by the Nevada Department of Taxation (Department)¹³. Land owned by certain energy, airline, telecommunication, railroad, and private carline companies and used in inter-county operations (for simplicity referred to as “utilities”) is centrally assessed. Even though mine, geothermal, and oil/gas improvements and personal property are appraised by Department employees in the “centrally assessed section” on behalf of the county assessors, these properties are not technically “centrally assessed” as defined in statute. These appraisals are forwarded to the local County Assessors who are responsible for valuing the associated land and billing for the total taxable value.

Unlike many other states, the State of Nevada does not value the mineral estate¹⁴ of land in situ for certain minerals based on ore reserves or other evidence of value. Instead, the State of Nevada has a “Net Proceeds of Minerals Tax” to tax the value of specific minerals only when the minerals are sold. The Department administers the Net Proceeds of Minerals Tax program. Not all minerals are included in the Net Proceeds of Minerals Tax program. For example, sand and gravel operations are not subject to the Net Proceeds of Minerals Tax.

County Assessors value approximately 1.2 million parcels of land annually, statewide. Land taxable value, before exemptions, totals approximately \$225 billion¹⁵ for the locally assessed land. Assessed value is 35% of taxable value or approximately \$79 billion. This doesn’t include certain Indian land and federal land that assessors omit from their databases.

The local economies of the various counties in the State vary significantly. Mining is a primary sector in the economies of some counties, primarily in the northeastern part of the State. In other counties, tourism represents a significant economic sector. Other counties have government, retail, and industry as primary sectors of the local economy. Because trends in land values, in general,

¹³ NRS 361.315 through 361.330

¹⁴ Article 10, Section 5 of the Nevada Constitution

¹⁵ Per 2009-2010 Statistical Analysis of the Roll

follow trends in local economies, the Department produced a separate report entitled County Economic and Demographic Summary to provide a brief overview of the local economies in each county. The various counties in the State also vary significantly in population density, types of lands, water resources, and levels of development. Each County Assessor monitors these types of information as a general indicator of land values.

3.2 Scope and Objectives

This Land Valuation Audit project is part of the ongoing Performance Audit Program of the Department as authorized by NRS 360.200, 316.250, and 361.333(1)(b)(2) and Regulation LCB File Number R039-10. The Department conducts audits as part of its oversight responsibility for the property tax system. The purpose of the audits is to promote fair and equitable assessments throughout Nevada. The performance audits supplement other quality control processes such as the annual ratio study.

This project focused on the activities in each county for the 2010-2011 secured roll cycle generally beginning in May 2009 and ending in October or November 2010. Any land values billed on the 2009-2010 unsecured roll were also included in the scope of the project. The project also included activities through June 2011 for certain areas. The objective of the project was to evaluate each of the 17 counties practices related to valuation of land for property tax assessment, including whether activities were carried out in accordance with applicable state laws, regulations, policies, and procedures.

The specific objectives are:

1. **Sales Data Collection:**
Determine if procedures for collection of sales data are consistent with statutes, regulations, and generally accepted mass appraisal standards and if procedures are supported by relevant documentation.
2. **Sales Data Verification:**
Determine if procedures for verification of sales data are consistent with statutes, regulations, and generally accepted mass appraisal standards and if procedures are supported by relevant documentation.
3. **Stratification:**
Determine if procedures for stratification of sales data are consistent with statutes, regulations, and generally accepted mass appraisal standards and if procedures are supported by market data.
4. **Mass Appraisal Models:**
Determine if processes used to establish mass appraisal models (Base Lot or Comparative Unit models) are supported with market data and are consistent with statutes, regulations, and generally accepted mass appraisal standards.
5. **Recording Changes:**
Determine if processes to record changes in zoning, master plan amendments, subdivisions, infrastructure, or other property characteristics

are in place and effectively used and if processes to adjust values based on these characteristics are supported by market data and consistent with statutes, regulations, and generally accepted mass appraisal standards.

6. Agricultural Land Valuation:

Determine if processes and documentation for qualification of land for agricultural or open space use are in place and effectively used and if the processes are consistent with statutes, regulations, and generally accepted appraisal standards. Determine if processes for recapture of tax upon conversion of property to a higher use exist and are consistent with statutes, regulations, and generally accepted mass appraisal standards.

7. Subdivision Discount:

Determine if processes for qualification of land for the subdivision discount are in place and effectively used and are consistent with statutes, regulations, and generally accepted mass appraisal standards. Determine if processes for removal of the qualification are in place and effectively used and are consistent with statutes, regulations and generally accepted mass appraisal standards.

8. Abstraction Method:

Determine if the abstraction method is used as an alternative method of land valuation. If so, determine if processes are in place and effectively used to (1) obtain market value of improvements (2) obtain market depreciation and (3) compare abstraction results with other valuation methods to provide reasonableness tests of results consistent with statutes, regulations, and generally accepted mass appraisal standards. Determine if the abstraction methods was applied to only newer properties consistent with statutes, regulations, and generally accepted mass appraisal standards.

9. Allocation Method:

Determine if the allocation method is used as an alternative method of land valuation. If so, determine if processes are in place and effectively used to calculate the Land to Building Ratio (L:B Ratio) consistent with statutes, regulations, and generally accepted mass appraisal standards. Determine if sales data used for the allocation method included a paired sales or sales-resales analysis applied consistent with statutes, regulations, and generally accepted mass appraisal standards and determine if these sales were adjusted for market conditions prior to determining the L:B Ratio.

10. Cost of Development method:

Determine if the Cost of Development method is used as an alternative method of land valuation. If so, identify sources used to estimate direct and indirect costs and determine the reliability of those sources.

Determine if processes are in place and effectively used to calculate valuation based on the Cost of Development methods consistent with statutes, regulations, and generally accepted mass appraisal standards.

11. Capitalization of Ground Rents Method:

Determine if the Capitalization of Ground Rents method is used as an

alternative method of land valuation. If so, identify sources used to obtain rental or lease information and determine the reliability of those sources. Determine if processes are in place and effectively used to calculate valuation based on the Capitalization of Ground Rents method consistent with statutes, regulations, and generally accepted mass appraisal standards. Determine if processes are in place to routinely collect rental or lease data for use in this valuation method or for other purposes (e.g. valuation of apartment buildings).

12. Land Residual Method:

Determine if the Land Residual method is used as an alternative method of land valuation. If so, identify sources used to obtain rental or lease information and determine the reliability of those sources. Determine if processes are in place and effectively used to calculate valuation based on the Land Residual method consistent with statutes, regulations, and generally accepted mass appraisal standards.

13. Land Factors:

Determine if Land Factors are used in lieu of annual reappraisal of land. If so, determine if Land Factors have been approved by the Nevada Tax Commission and are applied to various parcels of land consistent with statutes, regulations and generally accepted mass appraisal standards. If land factors are not used, determine whether or not counties are actually re-appraising annually.

14. Applying Changes after the Roll is Closed:

Determine if processes exist and are effectively used to apply changes based on (1) Assessor request to the County Commission, (2) County Board of Equalization action or (3) State Board of Equalization subsequent to the closing of the roll and possibly subsequent to issuance of tax bills. Determine if processes exist and are effectively used to refund tax, if applicable, or to generate an additional bill, if applicable to taxpayers following completion of the administrative appeal process.

Limitations in the Scope and Objectives of the Audit

Circumstances were documented during the audit that did not result in findings but that will require follow-up in future audits. In general, these issues will require further direction from the Department to the Assessors, Attorney General Opinions or development of regulations to provide guidance to Assessors. Following is a brief summary of these issues:

1. Method of Recording and Reporting Centrally Assessed Utility Property

There is no impact to any taxpayer for this issue. This issue is just a reporting issue.

NRS 361.320 indicates that the Nevada Tax Commission establishes the valuation for assessment purposes of any property of an interstate or intercounty nature for certain businesses (e.g. railroads, airlines, gas companies, electric companies, pipeline companies, and others), generally referred to as “utilities.” The Department of Taxation (Department), Division of Assessment Standards, Centrally Assessed section provides staff support to the Nevada Tax Commission in this process. Pursuant to NRS 361.3205 the Department enters these values on the Centrally Assessed Rolls (secured and unsecured) and bills, collects, and apportions the tax to the State and to various counties. Pursuant to NRS 361.189 through 361.220, county assessors are required to assign parcel numbers to all land within their respective counties and to maintain appropriate information about each parcel, even though valuations are not included on Locally Assessed Tax Rolls (secured and unsecured). The local rolls may carry values at zero or may include a value with an associated exemption.

The Department intends to provide specific direction to local assessors regarding the preferred method of reporting these properties. The Department also intends to develop improved reporting requirements for centrally assessed taxpayers to enhance the ability to reconcile the land parcels that are centrally assessed versus locally assessed.

2. Valuation of Land Underlying Commercial Facilities at Golf Courses

The definition of “Golf Course” in NRS 361A and the definition of “Golf Course Land” pursuant to NAC 361A may result in different interpretations.

The Department intends to seek an Attorney General’s opinion about proper interpretation of these statutes and regulations. No findings were made for this issue for any county due to the need for clarification.

3. Valuation of Golf Course Land Owned and Operated by Exempt Entities

Golf courses are automatically designated as open space for purposes of property taxation per NRS 361A. This language seems to indicate that all golf courses should be valued using NRS 361A, even if the property is owned by an exempt entity such as a city or a county. Some counties argued that golf course owned by exempt entities should not be valued per NRS 361A.

The Department intends to solicit an opinion from the Attorney General on this issue. There is no difference in taxes since the property is exempt whether it is valued per NRS 361A or NRS 361. However, the Department believes that the practice should be uniform throughout the 17 counties.

4. Valuation of Sand, Gravel, Decorative Rock and Similar Properties

The Department intends to undertake an analysis of these industries and the valuations placed on these properties to determine if any material difference exists in the application of the sales comparison approach versus the Capitalization of Ground Rents approach. Depending upon the outcome of this analysis, further direction to assessors or development of regulations for valuation of these types of properties may be undertaken. The Department also intends to analyze the Mineral Material Sales Contracts on federal lands to determine if a taxable possessory interest exists that should be assessed at the local level.

The Department also intends to develop improved reporting requirements for mining taxpayers to enhance the ability to reconcile operations that are considered mining properties and therefore subject to the Net Proceeds of Minerals Tax versus operations such as aggregate, sand, gravel, decorative rock and similar operations that are not subject to the Net Proceeds of Minerals Tax.

5. Valuation of Possessory Interests on Public Airports and Public Land

The Department is reviewing the valuation of possessory interests in federal land for various uses, including oil and gas, geothermal, wind, solar, mineral materials (excluding unpatented mining claims), and other uses. The Department may develop regulations or provide direction to county assessors. In addition, the distinction between agreements or leases covering exploratory phases, production phases, or depletion phases of a project become important in valuation.

The recent repeal of NRS 361.230 of the minimum of \$1.25 per acre assessed value for public lands is also an issue for valuation of these

possessory interests. Use of the Capitalization of Ground Rents will probably be substituted for the \$1.25 per acre assessed value previously used for calculation of value of oil and gas leases.

The Department is evaluating tools that may be helpful to assessors to value and list these possessory interests in federal lands. The Department will also likely issue guidance letters to provide appropriate direction.

The Department intends to develop regulations for possessory interests at airports including a definition of the public portion of the airport. Many airports in Nevada have many different uses that may not be considered to be “located upon the public airport” for purposes of taxation of possessory interests.

Ski resort operators have special use permits issued by the U. S. Forest Service for use of forest service land for ski runs. The Department has not provided guidance to assessors in the proper interpretation of this exception to the possessory interest statutes. The Department will request an opinion from the Attorney General's Office to provide clarification on the proper application of this exception.

6. Subdivision Discounts

The current subdivision discount regulations may not be sufficient to address certain situations in the normal planning processes that occur for certain developments.

The Department intends to solicit comments on the application of the subdivision discount regulations and possibly change the regulations to more appropriately reflect the actual planning processes that routinely occur in the various counties.

7. Standardized Form - Affidavit of Labor on Patented Mining Claim for the Exemption of Taxes per NRS 362.050

There is no impact to any taxpayer for this issue. The issue merely addresses consistency and standardization in forms.

During the Land Valuation Audit, we obtained copies of several different types of forms recorded to evidence the Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes per NRS 362.050. Although the general outline for the form is included in the statutes, the Department intends to produce a standard form. The Department intends to draft a form, obtain the appropriate input on the form, and have the form approved by the Nevada Tax Commission. No findings were made for this issue in any county and there is no impact to any taxpayer. However, the

Department feels that the form used should be uniform throughout the counties.

Following the issuance and implementation of guidance to assessors, development of regulations, or issuance of Attorney General Opinions, these issues can be addressed in subsequent Performance Audits.

4 Comparisons

Figure 1 – Comparison of Information Available Online

	Carson City	Churchill	Clark	Douglas	Elko	Esmeralda	Eureka	Humboldt	Lander	Lincoln	Lyon	Mineral	Nye	Pershing	Storey	Washoe	White Pine	Totals
ADS Customer	X	X		X	X	X	X	X	X	X	X	X	X	X	X		X	15

Online Access

Real Property Information	X	X	X	X	X	A	X	X	X	A	X	Z	X	X	X	X	Z	17
Personal Property Information	X	X	X	X	X	A	X	X	X	A	X	Z	X	X	X	X	Z	17
Assessor Maps	X	X	X	X	X		X		X		X		X	X		X		11
Legal Description	X	X	X	X	X		X	X	X		X		X	X		X		12
Sales Data	X	X	X	X	X		X	X	X		X	Z	X	X	X	X	Z	15
Recorder Information	X	X	X	X	X		X		X		X	Z	X		X	X		12
Imaged Documents	X	X	X	X	X		X		X		X		X		X	X		11
Property Photos				X					X							X		3
Aerial Photo Overlay			X	X					X	X						X		5
Zoning Overlay				X					X							X		3
Flood Zone Overlay				X					X							X		3
Sketches			X						X							X		3
Patented Mining Claim Overlay (or parcels)	X		X	X				X	X		X					X		7
Improvement Listings	X	X			X		X	X	X		X	Z	X	X		X	Z	14
County (or Municipal) Code	X	X	X	X	X				X	X	X	X	X	X	X	X	Z	14
Online Filing Personal Property Declarations			X	X												X		3
Online Payments-Real Roll	X	X	X	X	X			X							X	X		8
Online Payments-Unsecured Roll	X	X	X	X	X			X							X	X		8
Assessment Roll	X	X	X	X	X	X	X	X	X	Y	X	Y	X	X	X	X	Y	17

A=Esmeralda and Lincoln Counties reported that they are nearing completion of internet access.

Z = Mineral and White Pine Counties launched websites subsequent to the completion of field work

Y = The Department of Taxation posts the roll on its website for Lincoln, Mineral and White Pine Counties for compliance with NRS 361.300

Figure 2 – Summary of Staffing and Additional Functions

	Carson City	Churchill	Clark	Douglas	Elko	Esmeralda	Eureka	Humboldt	Lander	Lincoln	Lyon	Mineral	Nye	Pershing	Storey	Washoe	White Pine	Totals
Assessor's Office operates as a DMV Office*						X	X			X				X	X			5
Assessor's Office Collects Unsecured Roll			X			X	X			X		X	X		X		X	8
Staff (FTE)	8	8	131	9	13	3	3.5	10	4	4	10	4	13	4.5	3	59	5	292
Staff (number of positions)	8	8	132	9	13	3	4	10	4	4	10	4	13	5	3	59	5	294
Assessor's Office is Countywide IT Dept							X	X										2
In-Office Mapping	X	X	X		X		X	X			X		X			X		9
Contract Certain Appraisal Services							X								X			2

* Clerk/Treasurer (Douglas Co.) or Recorder (Lander Co.)

Note: Carson City, Lyon, and Storey Counties are currently using a single vendor for regional GIS services.

4.1 Population by County

The vast majority (97%) of the population of Nevada resides in 7 of the 17 counties. The remaining population (3%) resides in the other 10 counties. This is one indication of the diversity in geography, population density, culture, and economic sectors within Nevada. This diversity is reflected in diversity of land values in the various counties.

Figure 3 – Population by County

County	2000 Census	% of state	2010 Census	% of state	2000 Land Area	2010 Land Area	Population ⁽¹⁾ Density (2000)	Population ⁽¹⁾ Density (2010)	Top 3 Economic Sectors
Highest Population									
Clark County	1,375,765	68.85%	1,951,269	72.25%	7,910.34	7,891.43	173.92	247.26	Accommodation, Govt, Construction
Washoe County	339,486	16.99%	421,407	15.60%	6,342.27	6,302.37	53.53	66.86	Govt, Health, Construction
Subtotal	1,715,251	85.84%	2,372,676	87.86%	14,252.61	14,193.80	120.35	167.16	
Middle Population									
Carson City	52,457	2.63%	55,274	2.05%	143.35	144.66	365.94	382.10	Govt, Manufacturing, Health
Lyon County	34,501	1.73%	51,980	1.92%	1,993.69	2,001.19	17.31	25.97	Manufacturing, Govt, Retail
Elko County	45,291	2.27%	48,818	1.81%	17,179.03	17,169.83	2.64	2.84	Mining, Govt, Accommodation
Douglas County	41,259	2.06%	46,997	1.74%	709.85	709.72	58.12	66.22	Accommodation, Govt, Manufacturing
Nye County	32,485	1.63%	43,946	1.63%	18,146.66	18,181.92	1.79	2.42	Professional, Govt, Mining
Subtotal	205,993	10.31%	247,015	9.15%	38,172.58	38,207.32	5.40	6.47	
Summary Top 7 counties	1,921,244	96.15%	2,619,691	97.01%	52,425.19	52,401.12	36.65	49.99	
Low Population									
Churchill County	23,982	1.20%	24,877	0.92%	4,929.08	4,930.46	4.87	5.05	Govt, Construction, Administration
Humboldt County	16,106	0.81%	16,528	0.61%	9,647.91	9,640.76	1.67	1.71	Mining, Govt, Accommodation
White Pine County	9,181	0.46%	10,030	0.37%	8,875.98	8,875.65	1.03	1.13	Mining, Govt, Accommodation
Pershing County	6,693	0.33%	6,753	0.25%	6,036.56	6,036.56	1.11	1.12	Govt, Mining, Farming
Lander County	5,794	0.29%	5,775	0.21%	5,493.63	5,490.10	1.05	1.05	Mining, Govt, Transportation
Mineral County	5,071	0.25%	4,772	0.18%	3,756.40	3,752.84	1.35	1.27	Govt, Retail, Mining
Lincoln County	4,165	0.21%	5,345	0.20%	10,633.61	10,633.20	0.39	0.50	Govt, Retail, Farming
Storey County	3,399	0.17%	4,010	0.15%	263.45	262.92	12.90	15.25	Transportation, Manufacturing, Govt
Eureka County	1,651	0.08%	1,987	0.07%	4,175.68	4,175.68	0.40	0.48	Mining
Esmeralda County	971	0.05%	783	0.03%	3,588.50	3,581.88	0.27	0.22	Mining, Govt
Subtotal	77,013	3.85%	80,860	2.99%	57,400.80	57,380.05	1.34	1.41	
State Total	1,998,257	100.00%	2,700,551	100.00%	109,825.99	109,781.17	18.19	24.60	

(1) Population density is expressed in persons per square mile. Land area expressed in square miles.

4.2 Summary of Land Area by County

Figure 4 – Summary of Land Area by County

County	Total Area (sq mi) per 2000 Census	Water Area (sq mi) per 2000 Census	Land Area (sq mi) per 2000 Census	% of total state land area	Land Area (acres) per 2000 Census	Area (acres) per 2009-2010 SAR ⁽²⁾	# of Parcels	Exempt Area ⁽¹⁾ (Acres) per SAR	% exempt
Nye	18,158.73	12.07	18,146.66	16.5%	11,613,862	8,140,340	58,520	7,918,173	Not meaningful
Elko	17,202.94	23.91	17,179.03	15.6%	10,994,579	2,994,506	40,701	264,597	Not meaningful
Lincoln	10,636.77	3.17	10,633.61	9.7%	6,805,510	6,269,827	5,072	6,138,855	Not meaningful
Humboldt	9,657.87	9.96	9,647.91	8.8%	6,174,662	6,186,705	16,848	5,130,144	83%
White Pine	8,896.60	20.62	8,875.98	8.1%	5,680,627	5,545,273	8,750	5,318,006	96%
Clark	8,090.66	180.32	7,910.34	7.2%	5,062,618	4,949,376	729,548	4,648,282	94%
Washoe	6,551.32	209.05	6,342.27	5.8%	4,059,053	3,981,635	171,560	3,361,353	84%
Pershing	6,067.55	30.99	6,036.56	5.5%	3,863,398	3,800,430	11,847	2,902,080	76%
Lander	5,519.47	25.84	5,493.63	5.0%	3,515,923	3,342,489	7,392	2,806,615	84%
Churchill	5,023.38	94.30	4,929.08	4.5%	3,154,611	3,176,426	13,474	2,766,614	87%
Eureka	4,179.93	4.28	4,175.68	3.8%	2,672,435	2,671,519	4,565	2,118,069	79%
Mineral	3,812.97	56.56	3,756.40	3.4%	2,404,096	2,346,582	4,081	2,270,217	97%
Esmeralda	3,589.00	0.50	3,588.50	3.3%	2,296,640	2,216,630	2,811	2,184,040	99%
Lyon	2,016.40	22.71	1,993.69	1.8%	1,275,962	1,281,807	32,770	964,546	75%
Douglas	737.65	27.80	709.85	0.6%	454,304	447,430	28,088	312,339	70%
Storey	263.80	0.34	263.45	0.2%	168,608	167,557	5,247	21,477	13%
Carson City	155.66	12.31	143.35	0.1%	91,744	90,167	19,330	71,691	80%
Totals	110,560.70	734.73	109,825.99	100.0%	70,288,632	57,608,699	1,160,604	49,197,098	85%

Notes:

SAR < Census

⁽¹⁾ Exempt area includes exemptions for churches, US public domain, US government, Indian, State, State Forestry, County, Municipal, Schools, and Other.

⁽²⁾ SAR = Statistical Analysis of the Roll produced annually by the Nevada Department of Taxation

4.3 Summary of Payments In Lieu of Taxes on Federal Lands

The majority (81%) of land in Nevada is managed by the Bureau of Land Management, Forest Service, Bureau of Reclamation, National Park Service, Corps of Engineers or Fish and Wildlife Service. The Federal government pays counties an amount in lieu of property tax (PILT) on these lands as detailed in the following table of Fiscal Year 2010 distributions. Department of Defense (DoD), Department of Energy (DoE) and Indian lands are not included in the PILT calculation. DoD, DoE and Indian lands comprise approximately 4.9%, 1.2% and 1.7% of land in Nevada, respectively. Therefore, approximately 89% of Nevada land is controlled by these groups.

Figure 5 – Summary of 2010 Payments in Lieu of Taxes and Federal Lands

County	Payment	Total Federal Eligible Acres	Total Land Acres	% of Land	BLM ⁽¹⁾	FS ⁽¹⁾	BOR ⁽¹⁾	NPS ⁽¹⁾	COE ⁽¹⁾	FWS ⁽¹⁾
ESMERALDA COUNTY	\$100,926	2,247,850	2,296,640	98%	2,182,813	61,840	0	3,197	0	0
CLARK COUNTY	\$3,094,961	4,809,940	5,062,618	95%	3,047,743	302,599	20,560	587,321	0	851,717
LANDER COUNTY	\$806,114	3,333,334	3,515,923	95%	3,007,357	296,093	29,884	0	0	0
LINCOLN COUNTY	\$772,903	6,410,564	6,805,510	94%	5,615,138	30,672	0	0	451	764,303
WHITE PINE COUNTY	\$1,107,990	5,196,845	5,680,627	91%	4,354,102	764,631	0	77,180	0	932
MINERAL COUNTY	\$639,726	1,940,455	2,404,096	81%	1,561,090	379,365	0	0	0	0
EUREKA COUNTY	\$275,208	2,156,915	2,672,435	81%	2,012,776	144,139	0	0	0	0
HUMBOLDT COUNTY	\$1,641,405	4,978,803	6,174,662	81%	4,318,946	288,434	0	0	0	371,423
PERSHING COUNTY	\$905,837	2,927,801	3,863,398	76%	2,908,621	0	19,180	0	0	0
NYE COUNTY	\$2,810,172	8,523,974	11,613,862	73%	6,472,117	1,944,886	0	106,971	0	0
WASHOE COUNTY	\$3,197,884	2,930,753	4,059,053	72%	2,652,341	104,904	406	0	0	173,102
ELKO COUNTY	\$2,648,541	7,906,571	10,994,579	72%	6,830,284	1,068,893	0	0	0	7,394
LYON COUNTY	\$1,896,456	868,505	1,275,962	68%	568,028	275,583	24,894	0	0	0
CHURCHILL COUNTY	\$2,088,531	2,143,268	3,154,611	68%	2,058,179	0	8,339	0	0	76,750
DOUGLAS COUNTY	\$617,822	258,179	454,304	57%	167,702	85,540	4,937	0	0	0
CARSON CITY	\$113,938	49,206	91,744	54%	33,681	15,525	0	0	0	0
STOREY COUNTY	\$34,790	14,510	168,608	9%	14,111	0	399	0	0	0
TOTAL	\$ 22,753,204	56,697,473	70,288,632	81%	47,805,029	5,763,104	108,599	774,669	451	2,245,621
				81%	68%	8%	0%	1%	0%	3%

Note (1)

BLM = Bureau of Land Management

FS = Forest Service

BOR = Bureau of Reclamation

NPS = National Park Service

COE = Corps of Engineerings

FWS = Fish and Wildlife Service

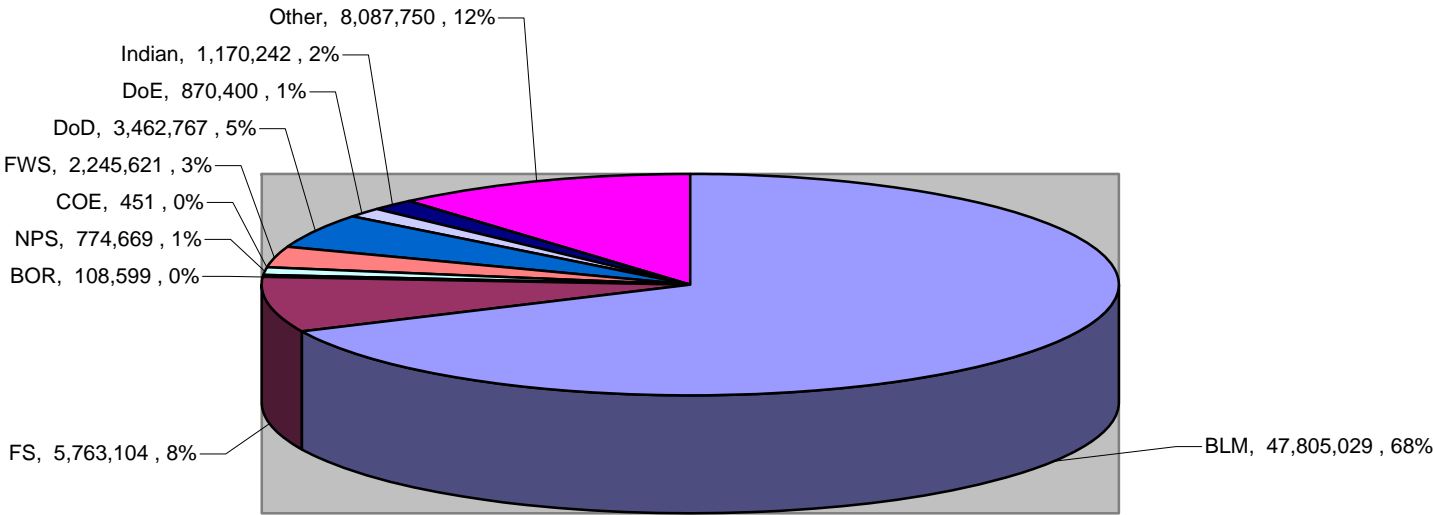
For further information: <http://www.doi.gov/pilt/>

Sources: United States Department of the Interior and US Census Bureau

Average PILT per acre \$ 0.40

In addition, there are approximately 1.2 million acres of Indian Land, 3.5 million acres of Department of Defense Land, and 0.9 million acres of Department of Energy Land in Nevada.

Approximate Acreage Ownership in Nevada



4.4 Summary of Local Economic Sectors

The United States Department of Commerce – Bureau of Economic Analysis¹⁶ maintains statistics on various economic sectors in the United States, based on NAICS¹⁷ codes. The major economic sectors (sectors representing more than 5% of either income or jobs) in the various counties in Nevada are summarized below:

Major Economic Sectors in Nevada Counties

	Carson City	Churchill	Clark	Douglas	Elko	Esmeralda	Eureka	Humboldt	Lander	Lincoln	Lyon	Mineral	Nye	Pershing	Storey	Washoe	White Pine
Accommodation and food service (NAICS 72)	X		X	X	X			X					X			X	est
Administrative and support and waste management and remediation (NAICS 56)		X	X										X			X	
Farming										X				X			
Arts, entertainment, and recreation (NAICS 71)											X						
Finance & Insurance (NAICS 52)	X	X	X														
Construction (NAICS 23)		X	X	X	X			X			X		X		X	X	
Government and government enterprises (NAICS 92)	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X
Health Care and social assistance (NAICS 62)	X		X	X							X		X			X	
Manufacturing (NAICS 31-33)	X			X							X				X	X	
Mining (NAICS 21)					X		est	X	X			est	X	X			est
Other services, except public administration (NAICS 81)		X		X	X			X	X	X	X		X		X	X	
Professional & Technical services (NAICS 54)	X	X	X	X								est	X			X	
Real estate and rental and leasing (NAICS 53)	X	X	X	X							X		X			X	
Retail Trade (NAICS 44-45)	X	X	X	X	X			X	X	X	X	est	X	X		X	est
Transportation and Warehousing (NAICS 48-49)		X							X						X	X	
Utilities (NAICS 22)															X		
Wholesale Trade (NAICS 42)					X			X								X	

Information for these counties not available. Estimate of major sectors based on interviews with the Assessor

¹⁶ Information on BEA can be obtained on their website, www.bea.gov

¹⁷ NAICS(North American Industry Classification System). For more information on NAICS codes, visit their website at www.naics.com

4.5 Personal Income by County 2006-2008

Figure 6 – Personal Income and Per Capita Personal Income

		Personal income				Per capita personal income ¹			
		(millions of dollars)			Percent change	(dollars)			2008
FIPS	Area name	2006	2007	2008	2007-2008 ²	2006	2007	2008	Rank in State
32000	Nevada	97,818	105,099	107,079	1.9	39,231	40,930	40,936	.
32998	Nevada Metropolitan Portion	88,811	95,273	96,940	1.8	39,725	41,346	41,233	.
32999	Nevada Nonmetropolitan Portion	9,006	9,827	10,139	3.2	34,939	37,293	38,296	.
32001	Churchill	914	959	1,002	4.5	37,125	38,755	40,391	7
32003	Clark	68,867	73,444	75,013	2.1	38,730	39,945	39,920	8
32005	Douglas	2,482	2,739	2,743	0.2	54,365	59,836	59,973	1
32007	Elko	1,494	1,692	1,760	4.0	32,684	35,996	37,300	10
32009	Esmeralda	30	30	34	12.3	39,551	43,729	50,950	2
32011	Eureka	50	55	65	18.2	33,944	35,826	40,674	6
32013	Humboldt	524	553	596	7.8	30,192	31,370	33,249	13
32015	Lander	184	190	214	13.1	36,786	37,278	41,812	5
32017	Lincoln	100	108	116	7.3	22,841	24,180	24,896	16
32019	Lyon	1,313	1,436	1,473	2.6	26,118	27,451	27,892	15
32021	Mineral	131	142	160	12.3	27,583	29,896	34,332	12
32023	Nye	1,322	1,433	1,462	2.0	31,221	32,514	33,086	14
32027	Pershing	134	147	155	5.6	21,130	23,050	24,666	17
32029	Storey	147	157	161	2.1	35,382	36,726	36,188	11
32031	Washoe	17,558	19,306	19,393	0.4	44,089	47,513	47,045	3
32033	White Pine	327	345	360	4.3	36,086	37,842	39,375	9
32510	Carson City (Independent City)	2,240	2,365	2,374	0.4	40,638	42,998	42,955	4

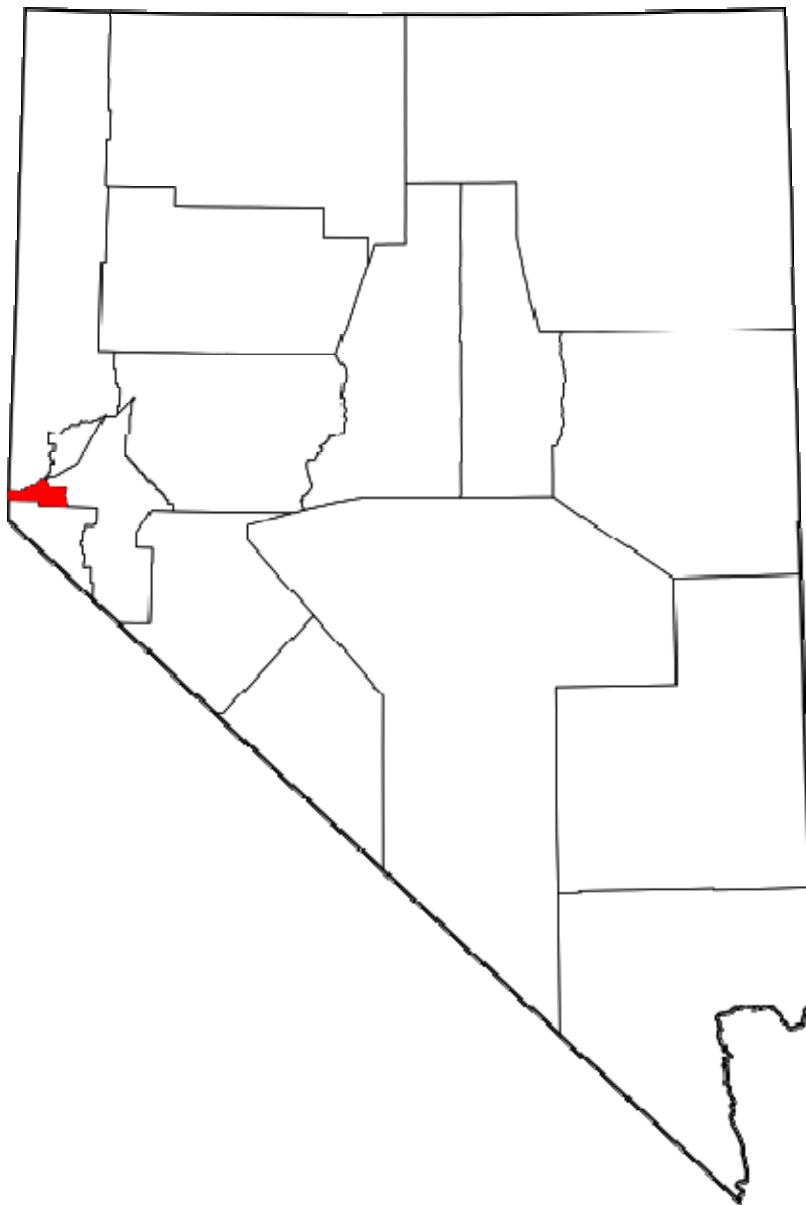
Footnotes

1. Per capita personal income was computed using Census Bureau midyear population estimates.
2. Percent change calculated from unrounded data.
3. The personal income level shown for the United States is derived as the sum of the county estimates. It differs from the estimate of personal income in the national income and product accounts (NIPAs) because of differences in coverage, in the methodologies used to prepare the estimates, and in the timing of the availability of source data.

Last updated: Monday, August 09, 2010

Source: www.bea.gov/regional/reis
US Bureau of Economic Analysis

5 Carson City

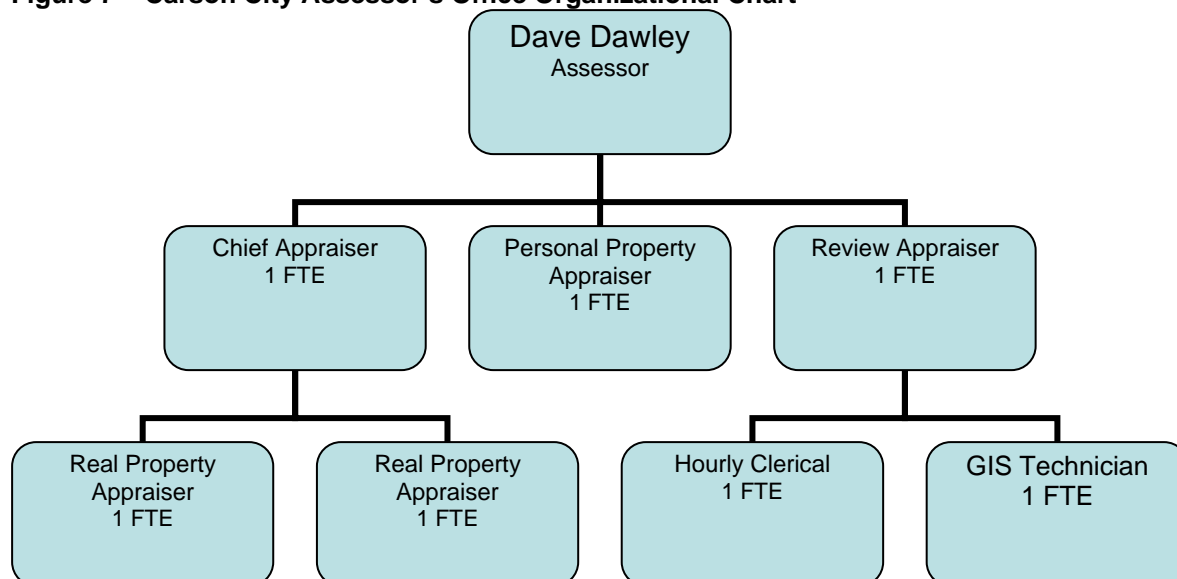


Map Source: www.wikipedia.org

5.1 Organizational Structure

The Carson City governing body is composed of five elected members of the Board of Supervisors (a Mayor and four Supervisors). All of the members of the Board serve four-year staggered terms. The Assessor is also elected and serves four-year terms. Other elected officials with statutory roles in the property tax system are the Clerk-Recorder, District Attorney, Sheriff, and Treasurer. The organization chart for the Assessor's Office is as follows.

Figure 7 – Carson City Assessor's Office Organizational Chart



The eight positions in the Carson City Assessor's Office represent eight Full Time Equivalents (FTE). The Carson City Assessor's Office does not perform additional duties¹⁸ beyond the statutory and administrative duties of the Assessor. The Clerk-Treasurer collects taxes on both the Secured and Unsecured Rolls. Maintenance of Assessor Parcel Maps is performed by the GIS Technician. Countywide GIS services are provided by an outside contractor. The GIS Technician provides parcel data to the countywide contractor. Other portions of the County government provide supporting services to the Assessor's Office, including the Information Technology Department, the GIS Department, the Human Resources Department, the Finance Department, and City Administration.

Carson City maintains a website. The property tax roll¹⁹ is posted in the website. The Carson City website contains additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. Recorded deeds are also available on the Carson City website.

5.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Carson City. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

¹⁸ For example, the Assessor does not operate a Department of Motor Vehicle branch office.

¹⁹ NRS 361.0445(3) and 361.0445(4)

5.3 Statistics

Statistical Analysis of the Roll

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Carson City Assessor's Office.

# of Parcels	Acres	Land AV ²⁰	Land TV ²¹	Exempt Acres ²²
19,330	90,167	~ \$1.1 billion	~\$3.1 billion	71,691

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Carson City Assessor's Office by land use code.

Figure 8 – Carson City Summary of Land Parcels by Land Use Code

		# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)		1,740	75,094.79	\$ 226,812,750
Residential Single Family (20 & 22)		13,165	5,392.76	496,532,247
Residential Townhouses/Condos (21, 24, 25)		1,461	286.34	19,539,917
Mobile Homes (23 & 26)		641	212.83	22,215,534
Multiresidential (30 - 36)		819	1,498.58	63,349,756
Commercial (40 - 44)		1,248	4,047.36	221,670,630
Industrial (50 - 52)		168	1,468.25	36,145,146
Agricultural Land (60)		40	1,930.15	298,540
Centrally Assessed Property (70)		15	56.49	2,144,755
Intracounty Public Utilities (71)		33	179.23	458,973
Possessory Interests	5			263,725
Totals		19,330	90,166.78	1,089,431,973

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)²³ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

²⁰ AV = Assessed Value. Assessed Value is 35% of Taxable Value

²¹ TV = Taxable Value before exemptions.

²² Exempt acres include US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, Churches and other. Carson City had 852 exempt parcels totaling 71,691.66 acres according to the 2009-2010 Statistical Analysis of the Roll.

²³ [Chapter 69, Title 31 of the United States Code.](#)

Figure 9 – Carson City Payment in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	33,436	33,681	33,681	33,681
FS (Forest Service) acres	14,852	15,412	15,388	15,525
Total exempt acres	48,288	49,093	49,069	49,206
% of Total County acres (91,744)	53%	53%	53%	54%
Based on 2000 Census				
\$ Payment in Lieu	\$69,805	\$112,685	\$115,288	\$113,938
\$ PILT per acre	\$1.45	\$2.30	\$2.35	\$2.32

5.4 Findings and Recommendations

One finding was made in this Land Valuation Performance Audit.

Finding #1001-CC01 – Supporting documentation for adjustments on individual parcels not available (example topography, access, no utilities, view)

Criteria	NRS 361.227 allows for adjustment on individual parcels within a defined market area to adjust the values obtained in the mass appraisal analysis for specific conditions unique to a particular parcel. NRS 361.227 requires supporting documentation for any adjustments.
Condition	Some adjustments are supported by market studies prepared by the Assessor's office. The supporting documentation for some of the adjustments tested could not be located. The Carson City Assessor's Office has made significant progress in this area in response to prior comments in ratio studies.
Effect	Most adjustments are downward for negative influences. This generally results in undervaluation.
Cause	The Carson City Assessor's Office performs analysis to support some adjustments. Market analysis may exist for other adjustments but the supporting documentation was not available for review in the audit.
Recommendation	The Assessor should establish procedures to determine the influences on particular parcels within a defined market area and to retain documentation of the market studies supporting site adjustments. This issue was also addressed in the 2008-2009 Report of Assessment Ratio Study, pages 8 and 9. The Assessor's Office improved its documentation since the 2008-2009 Ratio Study.

5.5 Audit Methodology

To gain an understanding of the operations of the Carson City Assessor's Office, we interviewed the Assessor and the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also reviewed information available on Carson City's website, the Statistical Analysis of the Roll and prior office reviews. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

To evaluate the effectiveness of the Assessor's Office sales data collection processes, we traced 59 deeds randomly selected from the Carson City Recorder's records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. There were no exceptions.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%²⁴ with staff. We also obtained copies of any sales questionnaires related to the 59 deeds and reviewed other evidence of verification processes for the sales. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we listed the market areas defined by the Assessor and obtained copies of maps depicting the market areas. The sales comparison approach was used in each of the market areas. We reviewed the documentation for each market area and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. Finding #1001-CC01 describes the lack of support for site adjustments discovered from these audit procedures.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value²⁵ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

²⁴ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

²⁵ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	5
Residential Single Family (20 & 22)	40
Residential Townhouse Condo(21,24,25)	4
Mobile Homes (23 & 26)	2
Multiresidential (30 - 36)	4
Commercial (40 – 44)	4
Industrial (50 - 52)	2
Agricultural Land (60)	6
Open Space	0
Golf Courses (various)	2
Patented Mining Claims (63)	0
All Mining Property Including Mills (64)	0
Aggregates Quarries (67)	1
Centrally Assessed Property (70)	15
Intracounty Public Utilities (71)	2
Centrally Assess local portion (72)	0
Possessory Interests	5
Leases (Oil & Gas)	0
Geothermal	0
TOTAL	92

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space land, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. Other than lack of support for adjustments noted in Finding #1001-CC01, there were no exceptions.

The documentation of the processes for 2010-2011 land valuation was missing from the files in the Carson City Assessor's Office. Electronic files were used for the audit but were not complete. Due to this problem, the sample was tested against the documentation for both the available 2010-2011 electronic files and the 2011-2012 complete documentation. Other than lack of support for adjustments noted in Finding #1001-CC01, there were no exceptions. Staff members in the Assessor's Office represented that procedures are now in place to safeguard documentation.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we traced two parcel maps selected from items on the Carson City Board of Supervisors agenda through the processes to record the split and allocate values to the new parcels. There were no exceptions.

To determine if the Carson City Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the six parcels selected. We also recalculated the assessment on each of the six parcels selected. There were no exceptions.

To determine if the Carson City Assessor's Office effectively determined properties eligible for the subdivision discount, we reviewed the subdivision discount files. There were no exceptions.

The Carson City Assessor reported that the abstraction method is used to determine valuations and to test the validity of values obtained from other methods. We observed the processes used to determine the contributory value of improvements and the processes to subtract the contributory value of improvements from improved sales to obtain the residual land values. There were no exceptions.

To determine if the Carson City Assessor's Office effectively used the allocation method, we reviewed the spreadsheets maintained for historical allocation and current allocation, primarily tracking sale and resale activity. There were no exceptions.

The Carson City Assessor reported that the Cost of Development method is not used. We did not encounter use of the Cost of Development method in any of the parcels sampled.

The Carson City Assessor reported that the Capitalization of Ground Rents method is not used. We did not encounter use of the Capitalization of Ground Rents method in any of the parcels sampled.

The Carson City Assessor represented that the Land Residual method is not used. We did not encounter use of the Land Residual method in any of the parcels sampled.

The Carson City Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling of parcels showed that land was reappraised.

To determine if changes to the roll from actions of the local Board of Equalization or the State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate Board of Supervisors actions. There were no exceptions.

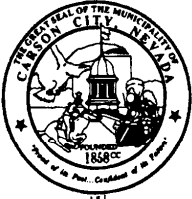
Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Carson City Assessor. On December 22, 2011, we met with the Carson City Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report included:

Terry Rubald, Chief Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

5.6 Assessor's Response



CARSON CITY, NEVADA

CONSOLIDATED MUNICIPALITY AND STATE CAPITAL

January 11, 2012

Bonnie Duke
Nevada Department of Taxation
1550 College Pkwy, Ste 115
Carson City, NV 89706-7937

RE: Finding #1001-CC01 of the Carson City Land Valuation Audit

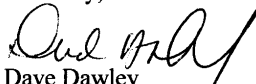
Dear Ms. Duke,

I would like to thank you, Mr. Bartolowits, and Ms. Silva for meeting and reviewing the rough draft of your land valuation audit which was completed on the Carson City Assessor's Office.

It was noted that Carson City does not document the site characteristics and site adjustments for parcels which are unique. It should be noted that the Assessor's Office has been creating processes to document these adjustments and site characteristics for a few years. Many of the parcels that were sampled have not been completed yet, as we are correcting them during their reappraisal cycles when we can make a physical inspection of the parcel. Unfortunately, with the limited staffing this total process may take a few more years to complete.

Again, thank you for meeting with us

Sincerely,


Dave Dawley
Carson City Assessor

DAVID A. DAWLEY - CARSON CITY ASSESSOR

201 North Carson Street, Suite #6 • 89701 • (775) 887-2130 • Fax: (775) 887-2139

Carson City Assessor's Office
Response to Audit Recommendations

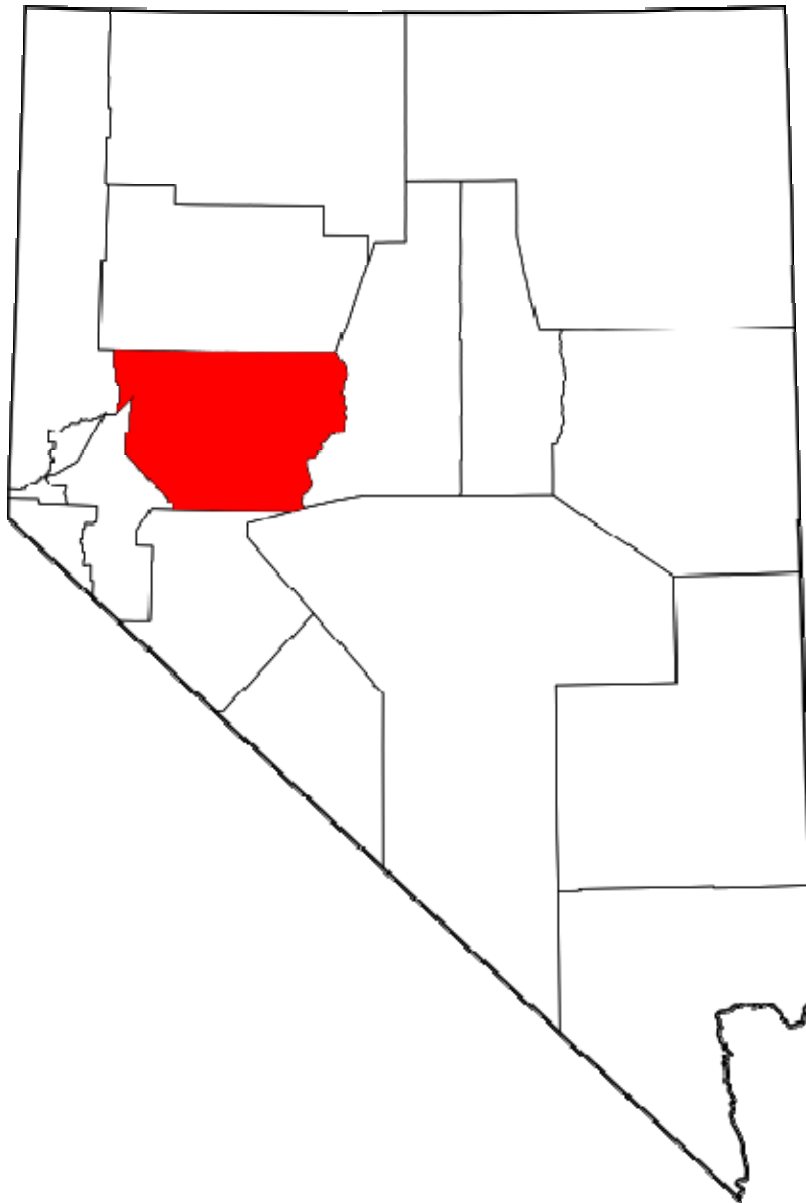
Recommendation Number	Description	Accepted	Rejected
#1001-CC01	Site Adjustment Support	X	

5.7 Special Recognition

The Carson City Assessor's Office routinely gathers sales data to support use of the allocation method.

The Carson City Assessor's Office routinely gathers sales data and cost data to support use of the abstraction method.

6 Churchill County

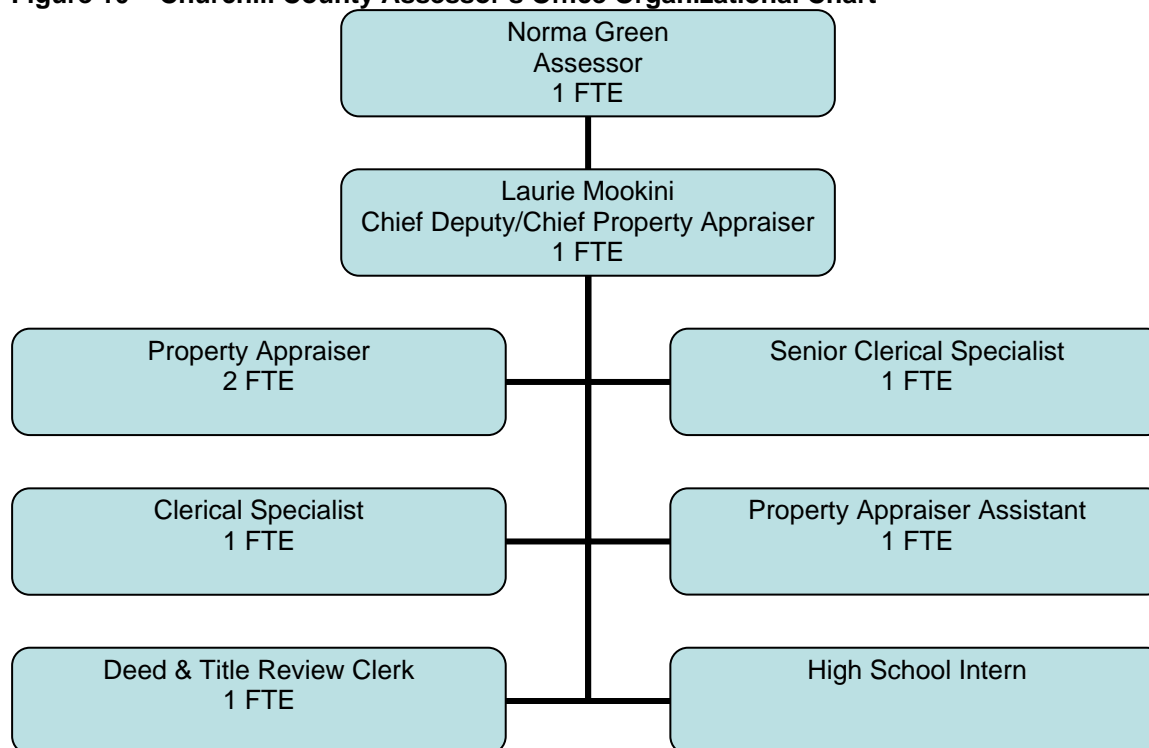


Map Source: www.wikipedia.org

6.1 Organizational Structure

The local governing body of Churchill County is composed of three elected members of the Board of County Commissioners. All of the members of the Board serve four-year staggered terms. The chair and vice-chair of the Board are selected from among the three elected commissioners. The Assessor is also elected to four-year terms. Other elected officials with statutory roles in the property tax system include Clerk/Treasurer, District Attorney, Recorder, and Sheriff. The organizational chart for the Assessors office follows.

Figure 10 – Churchill County Assessor’s Office Organizational Chart



The eight positions in the Churchill County Assessor’s Office equate to eight FTE (Full Time Equivalents). The Churchill County Assessor’s Office does not perform additional duties²⁶ beyond the statutory and administrative duties of the Assessor. Maintenance of Assessor Parcel Maps is performed by an outside contractor. The Clerk/Treasurer’s Office collects taxes due on the unsecured roll and the secured roll. Other portions of the County government provide supporting services to the Assessor’s Office, including the Recorder’s Office, Information Technology Department, the GIS Department, the Human Resources Department, the Finance Department, and City Administration.

Churchill County maintains a website. The property tax roll²⁷ is posted in the website. The Churchill County website contains additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. Recorded deeds are also available on the Churchill County website.

6.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Churchill County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

²⁶ For example, the Churchill County Assessor does not operate a Department of Motor Vehicles branch office.

²⁷ NRS 361.0445(3) and 361.0445(4)

6.3 Statistics

Statistical Analysis of the Roll

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Churchill County Assessor's Office.

# of Parcels	Acres	Land AV ²⁸	Land TV ²⁹	Exempt Acres ³⁰
13,474	3,176,426	~\$298 million	~\$851 million	2,766,614

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Churchill County Assessor's Office by land use code.

Figure 11 – Churchill County Summary of Land Parcels by Land Use Code

		# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)		4,054	2,940,469.67	\$ 95,935,395
Residential Single Family (20 & 22)		6,113	16,343.62	110,684,336
Residential Townhouses/Condos (21, 24, 25)		30	8.67	275,304
Mobile Homes (23 & 26)		877	6,309.05	10,958,499
Multiresidential (30 - 36)		596	3,157.50	17,823,506
Commercial (40 - 44)		513	3,346.84	45,107,816
Industrial (50 - 52)		106	3,351.78	6,243,306
Agricultural Land (60)		1,074	203,062.13	8,979,492
Open Space (62)		6	37.64	1,165,998
Patented Mining Claims (63)		93	100.03	180,000
Aggregates, Quarries, etc (67)		2	51.60	15,750
Centrally Assessed Property (70)		6	6.98	12,075
Intracounty Public Utilities (71)		2	0.80	54,529
Centrally Assessed Local Land Value (72)		2	179.78	18,200
Supplemental Real Roll	1			560
Possessory Interests	19			4,499
Oil & Gas leases	2			4,458
Other Land	21			222,066
Totals		13,474	3,176,426.09	297,685,789

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)³¹ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military

²⁸ AV = Assessed Value. Assessed Value is 35% of Taxable Value.

²⁹ TV= Taxable Value before Exemptions

³⁰ Exempt acres include US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, Church, and other. Per the 2009-2010 Statistical Analysis of the Roll Churchill County had 1,470 exempt parcels totaling 2,766,613.93 acres.

³¹ [Chapter 69, Title 31 of the United States Code](#).

installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 12 – Churchill County Payment in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	2,058,230	2,058,228	2,058,179	2,058,179
BOR (Bureau of Reclamation) acres	8,346	8,339	8,339	8,339
FWS (Fish and Wildlife Service) acres	76,799	76,799	76,799	76,750
Total exempt acres	2,143,375	2,143,366	2,143,317	2,143,268
% of Total County acres (3,154,611)	68%	68%	68%	68%
Based on 2000 Census				
\$ Payment in Lieu	\$1,157,509	\$1,988,750	\$2,039,796	\$2,088,531
\$ PILT per acre	\$0.54	\$0.93	\$0.95	\$0.97

6.4 Findings and Recommendations

Two findings were made in this Land Valuation Audit. Each finding is discussed in more detail on the following pages.

Finding #1001-CH01 – Non-compliance with NRS 362 – valuation of the surface of patented mining claims

Criteria	Article 10, Section 5 of the Nevada Constitution, NRS 362.030 through 362.095, and NAC 362.410 outline the responsibilities of the county assessor for assessment of the surface of patented mines and mining claims, depending on the use of the land and whether or not an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes per NRS 362.050 is filed with the County Recorder.
Condition	The County Assessor assessed all patented mining claims at \$500 assessed value per claim, pursuant to NAC 362.410, however, no evidence of the “greater of” part was of the test in NAC 362.410 was documented. The Assessor reports that processes are in place to comply with exclusions available pursuant to NAC 362.050, but owners rarely file. No filings occurred during the period covered by the audit. Documentation of the use, area, and location of the surface of each mining claim is not available in the assessor’s records. Documentation is necessary to make the appropriate decisions in applying statutes and regulations. The land surface area of each mining claim is not reconciled with overlapping claims and recorded in the assessor’s records.
Effect	The process of placing \$500 per claim assessed value on the surface of claims likely results in under-assessment and under taxation. It is impossible to accurately determine the impact due to lack of data.
Cause	Processes are not in place to systematically evaluate (1) the use, acreage and location of the surface of patented mining claims, (2) the valuation pursuant to NAC 362.410 or NRS 361.227, and (3) the exception, if applicable, per Article 10, Section 5 of the Nevada Constitution as further outlined in NRS 362.050.
Recommendation	The Department recommends that the County Assessor develop and implement policies and procedures to: <ol style="list-style-type: none"> 1. Document the use and location of the surface of each mining claim. 2. Provide Affidavit of Labor on Patented Mining Claims for Exemption of Taxes forms to owners and process forms to provide exceptions. 3. Determine the area for each mining claim and record the area in the records for each patented mining claim, including reconciliation of overlapping claims. 4. Determine if the surface has lost its character as a patented mining claim as described in NRS 362.095 (1). (Example, lot/block description, subdivision, parcel maps, change of use). 5. Value the surface ownership of the patented mining claim based on use and appropriately apply NAC 362.410 and/or NRS 361.227, as applicable.

Finding #1001-CH02 – Noncompliance with NRS 361.189 and 361.890 for parceling and mapping of patented mining claims

Criteria	<p>Pursuant to NRS 517.213(1), “The county recorder shall include all patented mines and mining claims in the county on the county map of mining claims in a manner which clearly distinguishes the patented mines and mining claims from the unpatented claims.”</p> <p>Pursuant to NRS 517.213(3) “A county recorder who records a map pursuant to this section shall, within 7 working days after the county recorder records the map, provide to the county assessor, at no charge, (a) a duplicate copy of the map and any supporting documents or (b) access to the digital map and any digital supporting documents. The map and supporting documents must be in a form that is acceptable to the county recorder and the county assessor.”</p> <p>Pursuant to NRS 361.189(1)(a) “All land in this State must be legally described for tax purposes by parcel number”</p> <p>Pursuant to NRS 361.189(1)(b) “Each county shall prepare and possess a complete set of maps drawn in accordance with such parceling system for all land in the County.”</p> <p>Pursuant to NRS 361.890(3) “The maps must readily disclose precisely what land is covered by any particular parcel number in the current fiscal year.”</p> <p>Pursuant to NRS 361.220, “Land may be described by metes and bounds, or other description sufficient to identify it, giving the locality and an estimate of the number of acres.”</p>
Condition	The Churchill County Assessor assigns parcel numbers to patented mining claims outside of the regular parcel system. Assessor Parcel Maps do not show the relationship of surface ownership of patented mining claims to other surface ownership, including reconciliation of overlapping claims.
Effect	The Assessor Parcel Maps do not readily disclose the location of the surface ownership or precisely what land is covered by a particular parcel number. The lack of integration of patented mining claims with other land ownership makes accurate valuation of the surface of patented mining claims difficult.
Cause	The process of reconciling the surface ownership of each patented mining claims has not been undertaken. The transfer of this information in to the appraisal system has not been undertaken. The process of integrating patenting mining claims into parcel maps has not been undertaken.
Recommendation	Identify and map the surface of patented mining claims by reconciling surface ownership of overlapping claims and incorporate the results into the regular parcel numbering system, including estimates of actual surface acreage owned. Update the parcel database accordingly.

6.5 Audit Methodology

To gain an understanding of the operations of the Churchill County Assessor's Office, we interviewed the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also reviewed information available on the Churchill County website, the Statistical Analysis of the Roll, and prior office reviews. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

To evaluate the effectiveness of the Assessor's Office sales data collection processes, we traced 59 deeds randomly selected from the Churchill County Recorder's records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. There were no exceptions.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%³² with staff. We also obtained copies of any sales questionnaires related to the 59 deeds and reviewed other evidence of verification processes for the sales. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we reviewed the market areas outlined in the Land Valuation Workbook. The sales comparison approach was used in each of the market areas. We reviewed the documentation for ten market areas and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. There were no exceptions.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value³³ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

³² Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

³³ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	20
Residential Single Family (20 & 22)	30
Residential Townhouse Condo(21,24,25)	2
Mobile Homes (23 & 26)	4
Multiresidential (30 - 36)	8
Commercial (40 – 44)	11
Industrial (50 – 52)	5
Agricultural Land (60)	9
Open Space	0
Golf Courses (various)	9
Patented Mining Claims (63)	3
All Mining Property Including Mills (64)	0
Aggregates Quarries (67)	4
Centrally Assessed Property (70)	7
Intracounty Public Utilities (71)	2
Centrally Assess local portion (72)	3
Possessory Interests	1
Leases (Oil & Gas)	0
Geothermal	0
TOTAL	118

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space land, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. The exceptions noted in Findings # 1001-CH01 and 1001-CH02 resulted from this audit work.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits we traced two parcel maps selected from items on the Churchill County Board of Commissioners agenda through the processes to record the split and allocate values to the new parcels. There were no exceptions.

To determine if the Churchill County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the nine parcels selected. We also recalculated the assessment on the nine parcels selected. There were no exceptions.

To determine if the Churchill County Assessor's Office effectively determined properties eligible for the subdivision discount, we reviewed the subdivision discount files. There were no exceptions.

The Churchill County Assessor reported that the abstraction method was not used to determine valuations but that abstraction was occasionally used to test the validity of values obtained from other methods. We did not encounter use of the abstraction method in any of the parcels sampled.

The Churchill County Assessor reported that the allocation method was not used to determine valuation but that allocation was occasionally used to test the validity of values obtained from other methods. We did not encounter the use of the allocation method to establish values in any of the parcels sampled.

The Churchill County Assessor reported that the Cost of Development method is not used. We did not encounter use of the Cost of Development method in any of the parcels sampled.

The Churchill County Assessor reported that the Capitalization of Ground Rents method is not used. We did not encounter use of the Capitalization of Ground Rents method in any of the parcels sampled.

The Churchill County Assessor reported that the Land Residual method is not used. We did not encounter use of the Land Residual method in any of the parcels sampled.

The Churchill County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling of parcels indicated that land was reappraised.

To determine if changes to the roll from actions of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate action by the Board of Commissioners. To determine if parcel maps or subdivision maps were changed in the assessor records, we traced two changes through the system. There were not exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Churchill County Assessor. On December 6, 2011, we met with the Churchill County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report included:

Terry Rubald, Chief-Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

6.6 Assessor's Response

Norma J. Green
Churchill County Assessor, CNA
assessor-njg@churchillcounty.org



155 N. Taylor St., Ste 200
Fallon NV 89406-2783
Phone: (775)423-6584 FAX: (775)423-2429
www.churchillcounty.org

Laurie M. Mookini
Chief Deputy Assessor/Appraiser, CNA
assessor-lmm@churchillcounty.org

February 7, 2012

Bonnie Duke CPA
Auditor II
Nevada Department of Taxation, Division of Assessment Standards
1550 College Parkway
Carson City NV 89706

RECEIVED
FEB 08 2012
State of Nevada
Department of Taxation

RE: Assessor's Response to Performance Audit#1001 – Land Valuation

Dear Bonnie,

In response to the findings #1001-CH01, CH02 – Valuation of surface of patented mining claims and mapping of patented mining claims, historically Churchill County has not depicted the patented mining claims on our Assessor Plat Map's, and we have a charge of \$500.00 assessed value per claim. Although we do have copies of all patented mining claim maps in our office, as noted in our exit interview, most of our patented mining claims are located in the very remote areas of Churchill County with limited access or even closed access in some case due to an emergency closure ordered by the Bureau of Land Management after a discovery of unexploded ordnance in 1989. As a result of the Military Land Withdrawal Act of 1999 (PL 106-65) enacted on October 5, 1999, the land was incorporated in the Navy Range. It is our understanding that some of the property may still be under dispute.

Showing the patented mining claims on our Assessor Plat Map's has been a goal of ours as well, and we are currently fortunate to have an employee who is majoring in GIS and is making this her class project this semester. However, I foresee this project taking between one to three years to complete, as she incorporates this project into her other appraisal duties. We will continue with this project until completed. Needless to say, I do also realize your concerns of the effects of not accounting for the acreage of the patented mining claims on our plat maps and not being able to verify the data. However, given the fact that these properties are located in the very remote areas of the county, I do not believe they are under-assessed or under taxed with the \$500.00 assessed value per claim.

Respectfully submitted,

A handwritten signature in cursive script that reads "Norma J. Green".

Norma J. Green
Churchill County Assessor

"Churchill County, Nevada is an equal opportunity provider and employer."

Churchill County Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
#1001-CH01	Valuation of Patented Mining Claims		
#1001-CH02	Mapping of Patented Mining Claims		

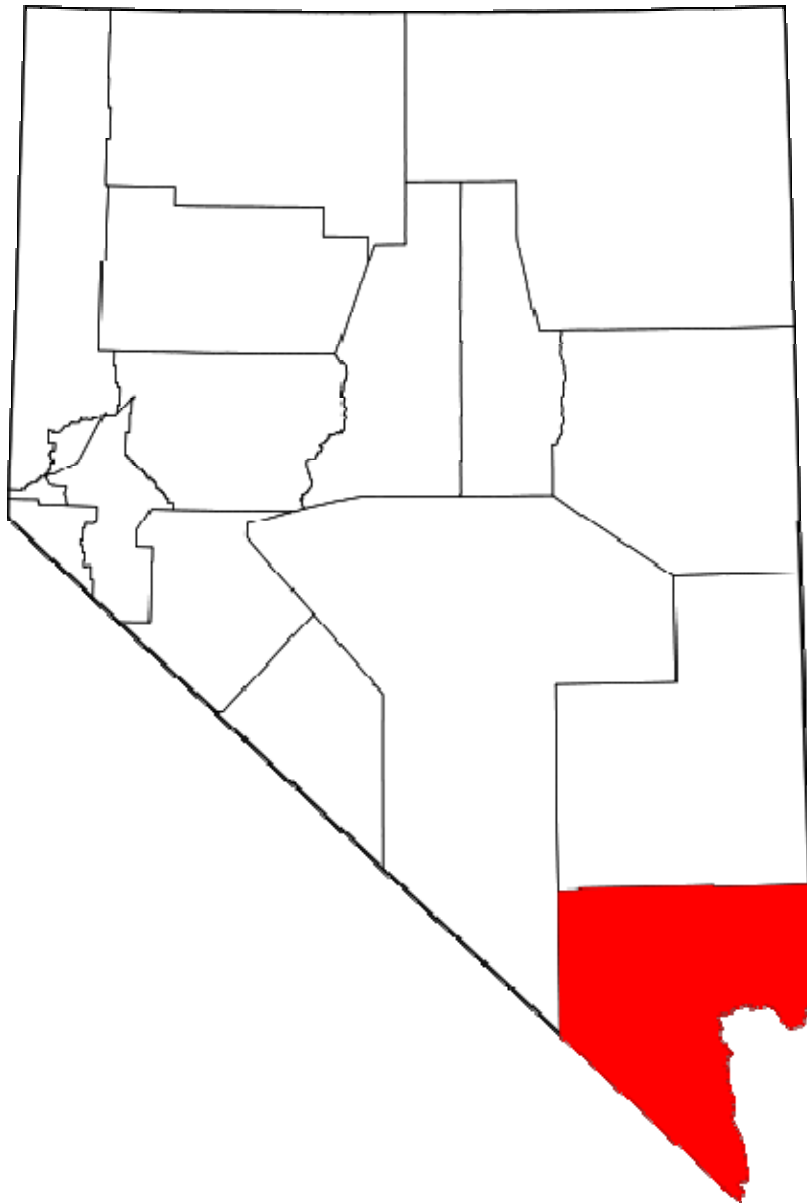
6.7 Special Recognition

Churchill County annually prepares a manual for the processes in the office. The manual is used as a training tool and a reference tool.

Churchill County analyzes all market areas in a single excel workbook known at the Land Valuation Workbook.

Churchill County maintains documentation referred to as “skirt books” that allows for rapid reference to prior land splits and sales data.

7 Clark County



Map Source: www.wikipedia.org

7.1 *Organizational Structure*

The governing body of Clark County is composed of seven elected members of the Clark County Board of Commissioners. All of the members of the Board serve four-year staggered terms. The Commissioners select a chair and vice-chair from among the elected Commissioners. The Assessor is also elected to four-year terms. Other elected officials with statutory roles in the property tax system include the Clerk, District Attorney, Recorder, and Treasurer.

Clark County maintains a website. The property tax roll³⁴ is posted in the website. The Clark County website contains additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. Recorded deeds are also available on the Clark County website.

Michele W. Shafe is the Clark County Assessor. When the entrance conference for this project was conducted in May 2010, the Clark County Assessor's Office had a total of 180 authorized positions representing 180 Full Time Equivalents (FTE). As of November 2011, the Clark County Assessor's Office has a total of 132 authorized positions representing 131 Full Time Equivalents (FTE). Parcel mapping is conducted in the Assessor's Office. The Assessor's Office does not perform additional duties³⁵ beyond the statutory and administrative duties of county assessor. The Clark County Treasurer collects taxes due on the secured roll. The Clark County Assessor's Office collects taxes due on unsecured roll. Other County Departments provide supporting services to the Clark County Assessor's Office such as Human Resources, Finance, and Administration. The following table summarizes the positions in various divisions of the Clark County Assessor's Office.

³⁴ NRS 361.0445(3) and 361.0445(4)

³⁵ For example, the Clark County Assessor's office does not operate a Department of Motor Vehicles branch as is commonly done in the rural counties.

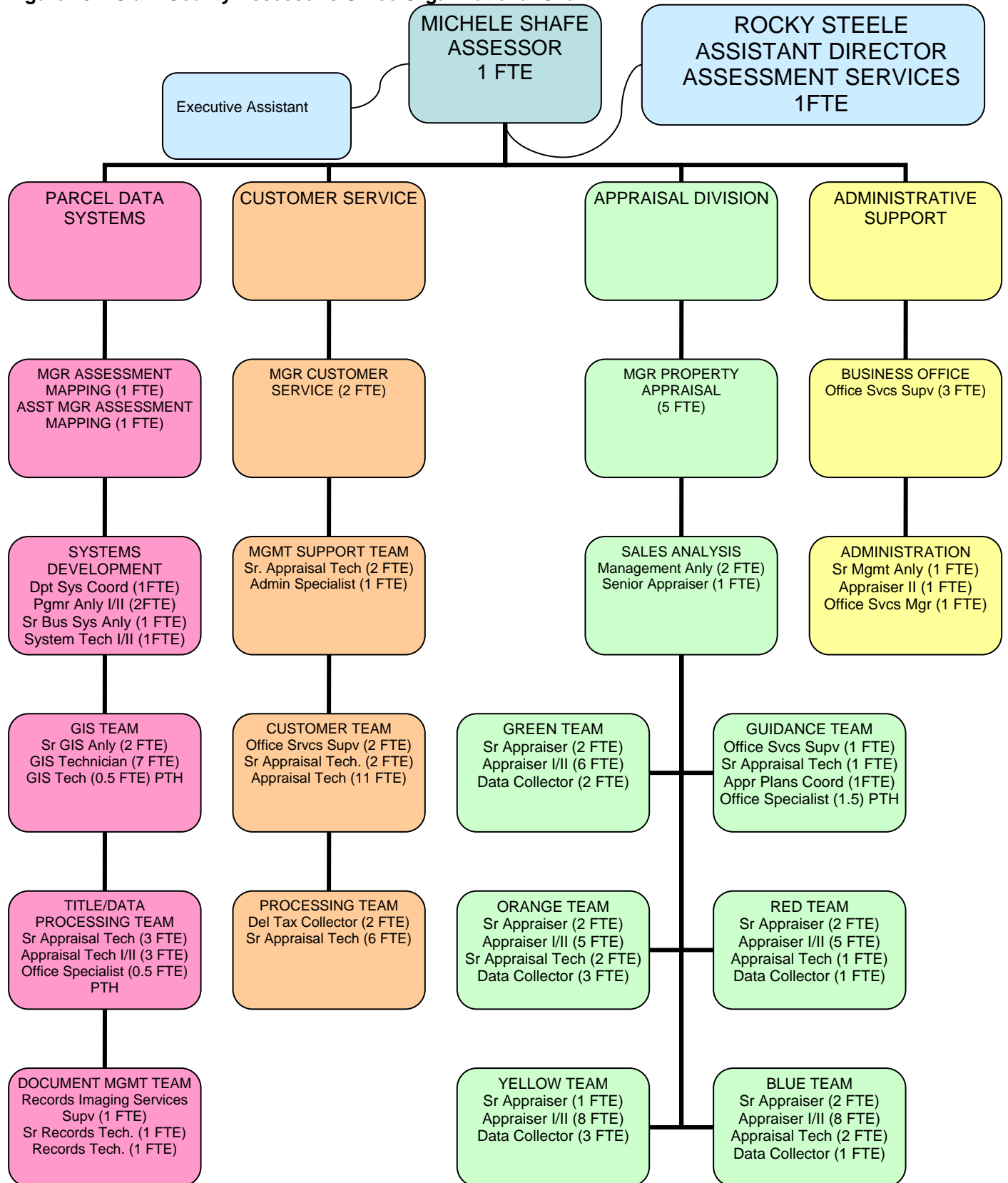
Performance Audit #1001 – Land Valuation

Position and Number of FTE in Each Division	Admin Support	Appraisal Division	Customer Service	Parcel Data Systems	Directors	Total
Administrative Specialist			1			1
Appraisal Plans Coordinator		1				1
Appraiser I/II	1	32				33
Appraiser Technician I/II		3	11	3		17
Assistant Director					1	1
Assistant Manager of Assessment Mapping				1		1
Assessor					1	1
Data Collector		10				10
Delinquent Tax Collector			2			2
Department Systems Coordinator				1		1
Executive Assistant	1					1
GIS Technician				7		7
GIS Technician PTH				0.5		0.5
Manager of Assessment Mapping				1		1
Management Analyst I/II		2				2
Manager of Customer Service			2			2
Manager of Property Appraisal		5				5
Office Services Supervisor	3	1	2			6
Office Services Manager	1					1
Office Specialist PTH		1		0.5		1.5
Program Analyst I/II				2		2
Records Imaging Services Supervisor				1		1
Records Technician				1		1
Senior Appraisal Technician		3	10	3		16
Senior Appraiser		10				10
Senior Business Systems Analyst				1		1
Senior GIS Analyst				2		2
Senior Management Analyst	1					1
Senior Records Technician				1		1
Systems Technician I/II				1		1
Total	7	68	28	26	2	131

The following abbreviations are used on the Organizational Chart on the next page:
Sr.

Admin	Administrative
Anly	Analyst
Appr	Appraisal
Coord	Coordinator
Del	Delinquent
Dpt	Department
Mgr	Manger
Pgmr	Programmer
Sr	Senior
Srvcs	Services
Supv	Supervisor
Sys	Systems
Tech	Technician

Figure 13 – Clark County Assessor’s Office Organizational Chart



7.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Clark County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

7.3 Statistics

Statistical Analysis of the Roll

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Clark County Assessor's Office.

# of Parcels	Acres	Land AV ³⁶	Land TV ³⁷	Exempt Acres ³⁸
729,548	4,954,376	~\$64.4 billion	~\$184.1 billion	4,648,282

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Clark County Assessor's Office by land use code.

Figure 14 – Clark County Summary of Land Parcels by Land Use Code

		# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)		88,000	4,704,945.82	\$ 29,598,331,153
Residential Single Family (20 & 22)		469,152	86,956.54	11,323,189,911
Residential Townhouses/Condos (21, 24, 25)		125,108	9,530.37	2,514,237,449
Mobile Homes (23 & 26)		6,767	6,501.02	203,711,580
Multiresidential (30 - 36)		20,309	10,130.42	1,891,926,063
Commercial (40 - 44)		14,971	94,025.17	17,074,148,738
Industrial (50 - 52)		4,078	12,029.67	1,655,465,204
Agricultural Land (60)		269	4,788.59	3,413,484
Open Space (62)		350	9,941.15	12,401,979
Patented Mining Claims (63)		28	4,541.02	3,522,603
All Mining Property Including Mills (64)		3	1,027.38	564,326
Aggregates, Quarries, etc (67)		5	140.31	4,455,024
Centrally Assessed Property (70)		317	2,414.35	
Intracounty Public Utilities (71)		123	775.21	121,197,738
Centrally Assessed Local Land Value (72)		68	1,629.46	26,690,918
Possessory Interests	38			743,271
Totals		729,548	4,949,376.48	64,433,999,441

³⁶ AV = Assessed Value. Assessed Value is 35% of Taxable Value

³⁷ TV = Taxable Value before exemptions

³⁸ Exempt acres includes US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, Churches and other. In the 2009-2010 Statistical Analysis of the Roll, Clark County reported 15,263 exempt parcels totaling 4,648,252.41 acres.

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)³⁹ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 15 – Clark County Payment in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	3,049,425	3,048,543	3,048,498	3,047,743
FS (Forest Service) acres	302,521	302,558	302,558	302,599
BOR (Bureau of Reclamation) acres	157	157	20,560	20,560
NPS (National Parks Service) acres	587,321	587,321	587,321	587,321
FWS (Fish and Wildlife Service) acres	851,717	851,717	851,717	851,717
Total exempt acres	4,791,141	4,790,296	4,810,654	4,809,940
% of Total County acres (5,062,618)	95%	95%	95%	95%
Based on 2000 Census				
\$ Payment in Lieu	\$1,920,874	\$3,056,564	\$3,137,454	\$3,094,961
\$ PILT per acres	\$0.40	\$0.64	\$0.65	\$0.64

7.4 Findings and Recommendations

One finding was made. The finding is discussed in more detail on the following page.

³⁹ [Chapter 69, Title 31 of the United States Code.](#)

Finding #1001-CL01 – Parcels not updated per the Agricultural Manual

Criteria	NRS 361A and NAC 361A allow for assessment of land used for agricultural purposes that meets certain criteria (qualified property). The Department annually produces the “Agricultural Land Values and Open Space Property Procedures” bulletin that provide tables for valuation of qualified property under various classification.
Condition	The value on the secured roll for the five agricultural parcels did not change for three years. Additional testing revealed that 80% of the approximately 300 agricultural parcels did not have value changes between 09-10 and 10-11.
Effect	Generally, the amounts published in the agricultural manuals have increased each year. However, some of the items in the agricultural manual decrease. An estimate of the effect cannot be inferred from the testing conducted. However, the effect is likely undervaluation.
Cause	Processes are not in place to annually input the values in the Clark County computer system. There are no controls in place to check a sample of agricultural parcels each year to make sure the valuation is based on the proper tables.
Recommendation	Establish procedures to input the values for each category of agricultural property from annually published tables. Establish a quality control to recalculate a small sample of agricultural parcels to check that the final valuations are, in fact, based on the appropriate tables.

7.5 Audit Methodology

To gain an understanding of the operations of the Clark County Assessor’s Office, we interviewed the Assessor’s Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also reviewed state laws, regulations, policies, and procedures significant to the operations. We also reviewed information available on the Clark County website, the Statistical Analysis of the Roll, and prior Office Reviews. We documented and assessed the internal controls in the Assessor’s Office over land valuation practices and procedures.

To evaluate the effectiveness of the Assessor’s Office sale data collection, we tested controls designed to capture all relevant documents, to check input, and to control access or change to records. We also traced 59 deeds randomly selected from the Clark County Recorder’s records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. There were no exceptions.

To determine the effectiveness of the Assessor’s Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40% with staff. We also looked up the notes in Clark County’s computerized appraisal system documenting verification processes undertaken for the

59 deeds. We also tested the controls for input into the system and controls to access or change records. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we obtained maps and listings of market areas defined by the Assessor's Office. We also interviewed personnel on the use of the defined market areas. The sales comparison approach was used in each of the market areas. We reviewed the documentation for ten market areas and the results of the analysis (for example base lot value or comparative unit value and site adjustments applicable to that particular market). Cross reference to parcel numbers included in the market areas was available on the maps and listings. We evaluated whether the size and type of the defined market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally we reviewed adjustments to sales prices and market analysis supporting site adjustments. There were no exceptions.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value⁴⁰ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all of the parcels were selected for testing. The samples were determined as follows:

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	9
Residential Single Family (20 & 22)	38
Residential Townhouse Condo(21,24,25)	10
Mobile Homes (23 & 26)	3
Multiresidential (30 - 36)	4
Commercial (40 – 44)	4
Industrial (50 – 52)	1
Agricultural Land (60)	5
Open Space	3
Golf Courses (various)	25
Patented Mining Claims (63)	22
All Mining Property Including Mills (64)	0
Aggregates Quarries (67)	5
Centrally Assessed Property (70)	4
Intracounty Public Utilities (71)	0
Centrally Assess local portion (72)	0
Possessory Interests	3
Leases (Oil & Gas)	6
Geothermal	0
TOTAL	142

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the valued recorded in the assessor's

⁴⁰ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustment applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. The exceptions noted in Finding #1001-CL01 resulted from this audit work. In addition, we tested controls for computer updates from the appraisal system to the billing system and access to computer systems to change records.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we tested two items from the Clark County Commission agenda through the processes to record the split and allocate the values to the new parcels. We also tested controls to input changes to property characteristics and zoning in the computer system. There were no exceptions.

To determine if the Clark County Assessor's Office effectively assessed agricultural property, according to NRS 361A and NAC 361A, we traced a sample of five parcels identified as qualifying for agricultural assessment through the Clark County system. We reviewed the agricultural applications and Assessor files supporting the classification of the five parcels selected. We also recalculated the assessment of the five parcels based on the Agricultural Land Values and Open Space Procedures bulleting published by the Department. No exceptions were noted in the processes to obtain and approve applications and establish acreage in the various categories. However, there were exceptions in the valuation in the Clark County records versus the manual recalculation. Finding #1001-CL01 resulted from these audit procedures.

To determine if the Clark County Assessor's Office effectively determined properties eligible for the subdivision discount, we reviewed the analysis for the ten market areas selected. There were no exceptions.

To determine if the Clark County Assessor's Office effectively used the abstraction method, we reviewed the cost data, statistical analysis, and studies prepared by the Assessor's Office staff and integrated into the computer assisted mass appraisal (CAMA) system. Due to the downturn in the market, the abstraction method was not used in the samples selected. Therefore, there were no exceptions.

To determine if the Clark County Assessor's Office effectively used the allocation method, we reviewed the data, statistical analysis and studies prepared by the Assessor's Office staff and integrated into the CAMA system. There were no exceptions.

The Clark County Assessor represented that the Cost of Development method is not used. We did not encounter use of the Cost of Development method in our samples.

The Clark County Assessor represented that the Capitalization of Ground Rents method is not used. We did not encounter use of the Capitalization of Ground Rents method in our samples.

The Clark County Assessor represented that the Land Residual method is not used. We did not encounter use of the Land Residual method in our samples.

The Clark County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling indicated annual reappraisal.

To determine if changes to the roll from action of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from a sample of board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the control system to change data in the system. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Clark County Assessor. On November 29, 2011 we met with the Clark County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report included:

Terry Rubald, Chief Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

7.6 Assessor's Response



MICHELE W. SHAFE
Clark County Assessor

(702) 455-3891 • Fax: (702) 455-5553
ClarkCountyNV.gov/assessor



MEMBER
International Association
of Assessing Officers

Rocky A. Steele, Assistant Director of Assessment Services

December 20, 2011

Ms. Terry Rubald, Chief
Division of Assessment Standards
Nevada Department of Taxation
1550 College Parkway, Suite 115
Carson City, Nevada 89706

RECEIVED

DEC 21 2011

STATE OF NEVADA
DEPARTMENT OF TAXATION

Re: Clark County Response to DOAS Performance Audit #1001 – Land Valuation

Dear Ms. Rubald:

We have completed our review of the comments and findings in the above-referenced performance audit and submit the following response.

Finding #1001-CL01 – Parcels not updated per the Agricultural Manual

The indicated findings were validated by our staff. Agricultural Manual "bulletin values" for 2010-2011 were not reflected in the valuation extensions for agricultural parcels. Values reflected rates for the prior year. Because of a change in staffing, responsibility for updating rates changed; however, the rates were not input until after the close of the roll.

Consequently, updated rates were not done for the subject tax year. For subsequent years, responsibility for rate updates has been established and documented. A verification process is in place to ensure that updated rates are entered into our system prior to the close of the roll each year, and that they are properly reflected in the valuations.

Thank you for bringing this issue to our attention. We have improved our process for updating the agricultural bulletin values. We appreciate your assistance in making our Office more efficient.

Sincerely,

A handwritten signature in cursive script that reads "Michele W. Shafe".

Michele W. Shafe
Clark County Assessor



Clark County Government Center • 500 S. Grand Central Parkway • Box 551401 • Las Vegas NV 89155-1401

Clark Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
#1001-CL01	Parcels not updated for Ag manual	X	

7.7 Special Recognition

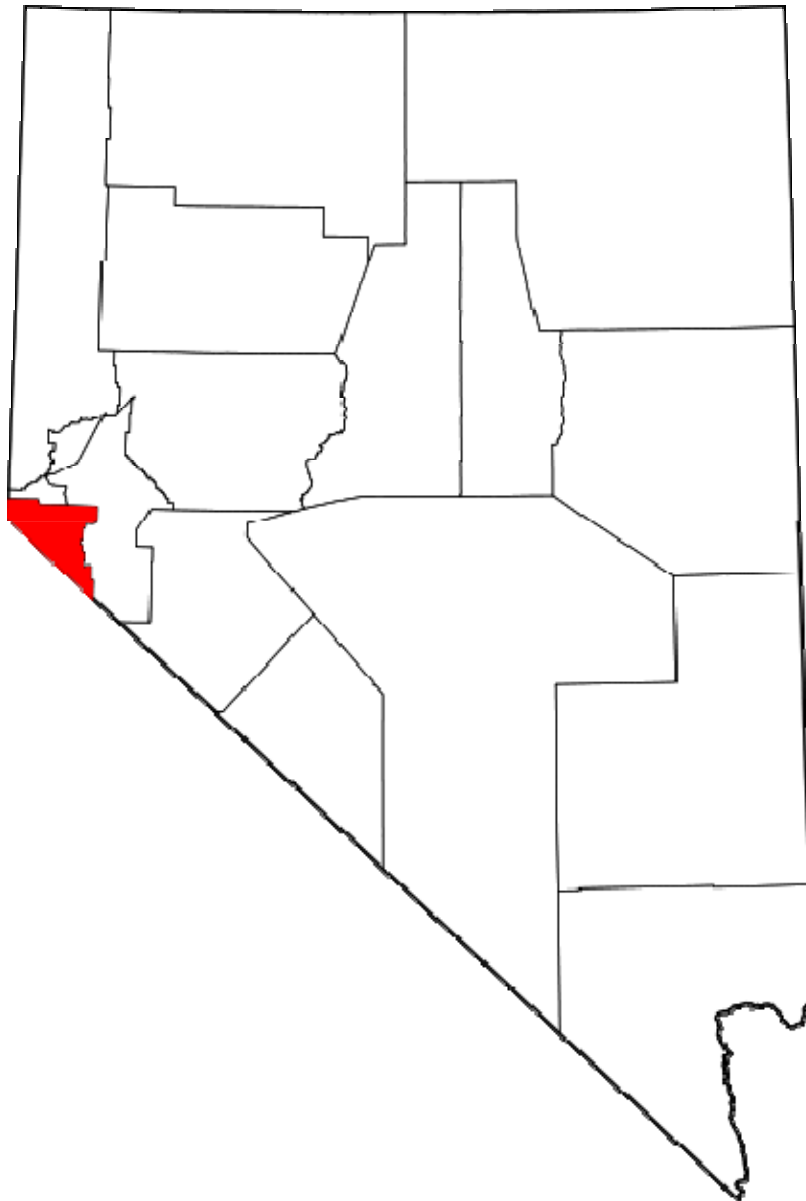
The Clark County Assessor's Office conducts numerous special studies to support the information in the CAMA system and incorporates those studies into the CAMA system. For example, the studies related to supporting documentation for use of the allocation and abstraction methods are integrated into the computer system and provide valuable tools to appraisers in their analysis. Special studies also support site adjustments.

The Clark County Assessor's Office routinely uses appropriate statistical analysis in studies and in the final analysis of market areas. These tools provide a form of internal quality control for the results and application of the mass appraisal process.

The Clark County system of assigning parcel numbers to properties and in mapping parcels that can be cross referenced to the Township-Range-Section system is considered best practice. More importantly, the parcel mapping system reconciles parcels within each section. Book and page systems do not have this cross reference or control. The Douglas County system and the Clark County system are similar and are recommended for implementation by other counties when parcel systems are updated.

The Clark County system of assigning a four digit code to market areas or neighborhoods and the flexibility of including or excluding various neighborhoods in analysis is considered best practice. The ability to relate the four digit code to the mapping system is also considered best practice.

8 Douglas County

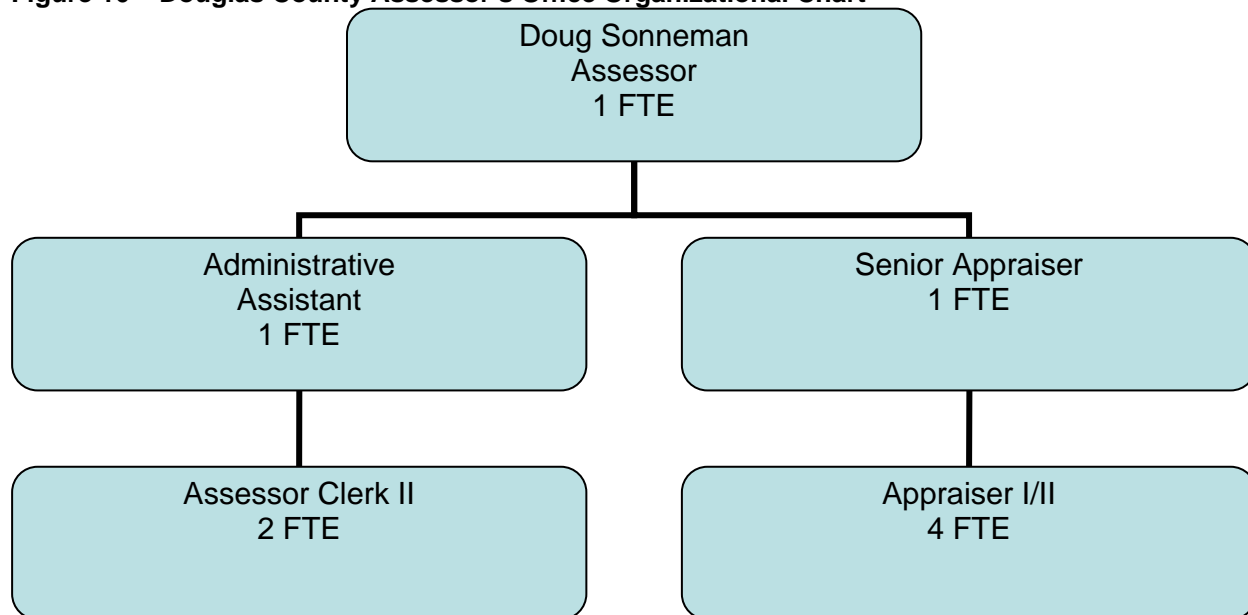


Map Source: www.wikipedia.org

8.1 Organizational Structure

The Douglas County governing body is composed of five elected members of the Board of County Commissioners. Commissioners serve staggered four-year terms. The Commissioners select a chair and a vice-chair from the five elected Commissioners. The Assessor is also elected to four-year terms. Other elected officials with statutory roles in the property tax system include the Clerk-Treasurer, District Attorney, Recorder, and Sheriff. Following is an organizational chart of the County Assessor's Office.

Figure 16 – Douglas County Assessor's Office Organizational Chart



The nine positions in the Douglas County Assessor's Office represent 9 Full Time Equivalents (FTE). The Douglas County Assessor's Office does not perform additional duties beyond the statutory and administrative duties of Assessor. Maintenance of Assessor Parcel Maps is performed by the Geographic Information Systems department. The Clerk-Treasurer collects taxes due on both the secured and unsecured rolls. Other portions of the county government provide support services to the Assessor's Office including other elected officials and the GIS, Information Systems, Human Resources, Comptroller, and Administrative Services.

Douglas County maintains a website. The property tax roll⁴¹ is posted on the website. The Douglas County website contains additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. Recorded deeds are also available on the Douglas County website.

8.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Douglas County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

⁴¹ NRS 361.0445(3) and 361.0445(4)

8.3 Statistics

Statistical Analysis of the Roll

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Douglas County Assessor's Office.

# of Parcels	Acres	Land AV ⁴²	Land TV ⁴³	Exempt Acres ⁴⁴
28,088	447,430	~\$2.1 billion	~\$6.0 billion	312,389

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Douglas County Assessor's Office by land use code.

Figure 17 – Douglas County Summary of Land Parcels by Land Use Code

	# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)	4,637	333,250.630	\$ 371,143,401
Residential Single Family (20 & 22)	16,967	19,689.960	1,190,049,856
Residential Townhouses/Condos (21, 24, 25)	2,846	1,756.350	134,966,916
Mobile Homes (23 & 26)	604	981.620	18,897,025
Multiresidential (30 - 36)	980	3,115.810	193,755,357
Commercial (40 - 44)	609	5,682.290	128,942,913
Industrial (50 - 52)	245	823.110	17,117,311
Agricultural Land (60)	1,092	73,503.690	13,378,427
Open Space (62)	27	4,347.060	6,085,104
Patented Mining Claims (63)	9	312.420	81,480
Centrally Assessed Property (70)	20	62.420	64,768
Intracounty Public Utilities (71)	52	3,904.340	4,616,720
Possessory Interests	1		789,635
Totals	28,088	447,429.700	2,079,888,913

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)⁴⁵ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the

⁴² AV = Assessed Value. Assessed Value is 35% of Taxable Value

⁴³ TV = Taxable Value before Exemptions

⁴⁴ Exempt acreage includes US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, Church and other property. Douglas County reported 2,433 exempt parcels representing 312,388.64 acres of land in the 2009-2010 Statistical Analysis of the Roll.

⁴⁵ [Chapter 69, Title 31 of the United States Code.](#)

payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 18 – Douglas County Payment in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	167,827	167,710	167,710	167,702
FS (Forest Service) acres	84,064	84,786	85,540	85,540
BOR (Bureau of Reclamation) acres	4,937	4,937	4,937	4,937
Total exempt acres	256,828	257,433	258,187	258,179
% of Total County acres (454,304)	57%	57%	57%	57%
Based on 2000 Census				
\$ Payment in Lieu	\$377,451	\$599,752	\$615,368	\$617,822
\$ PILT per acre	\$1.47	\$2.33	\$2.38	\$2.39

8.4 Findings and Recommendations

No findings were made in this Land Valuation Audit.

8.5 Audit Methodology

To gain an understanding of the operations of the Douglas County Assessor's Office, we interviewed the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also reviewed the records maintained in the Douglas County Assessor's Office. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

To evaluate the effectiveness of the Assessor's Office sale data collection, we selected 59 deeds recorded with the Douglas County Recorder's Office and traced these sales to the Assessor's computerized sales database. We chose samples from July 2006 through June 2009. No exceptions were noted.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we traced the same 59 deeds through the verification process, primarily inquiries of title companies on selected sales. We also calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%⁴⁶ with staff. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we obtained the summary analysis of each market area maintained in the "Land Value Analysis" binder. The sales comparison approach was used in each of the market areas. We reviewed the documentation for 20 market areas and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market area). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. There were no exceptions.

To determine if the mass appraisal implementation was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value⁴⁷ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all parcels were selected for testing. The samples were determined as follows:

⁴⁶ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

⁴⁷ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	10
Residential Single Family (20 & 22)	36
Residential Townhouse Condo(21,24,25)	6
Mobile Homes (23 & 26)	2
Multiresidential (30 - 36)	2
Commercial (40 – 44)	3
Industrial (50 – 52)	3
Agricultural Land (60)	5
Open Space	0
Golf Courses (various)	1
Patented Mining Claims (63)	2
All Mining Property Including Mills (64)	0
Aggregates Quarries (67)	See industrial
Centrally Assessed Property (70)	20
Intracounty Public Utilities (71)	0
Centrally Assess local portion (72)	0
Possessory Interests	3
Leases (Oil & Gas)	0
Geothermal	0
TOTAL	92

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustment applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space land, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits we traced two parcel maps selected from items on the Douglas County Board of Commissioners agenda through the processes to record the split and allocate values to the new parcels. There were no exceptions.

To determine if the Douglas County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the five parcels selected. We also recalculated the assessment on the five parcels selected. There were no exceptions.

To determine if the Douglas County Assessor's Office effectively determined properties eligible for the subdivision discount, we reviewed the subdivision discount files. There were no exceptions.

The Douglas County Assessor reported that the abstraction method had been used in the past but, due to the rapid decline in the real estate market, the results of abstraction were deemed to be less reliable than the allocation method. We did not encounter use of the abstraction method in the sample tested.

To determine if the Douglas County Assessor's Office effectively used the allocation method, we tested the documentation maintained with the analysis of each market area. The documentation included paired sales analysis and sales-resales analysis. There were no exceptions.

The Douglas County Assessor represented that the Cost of Development method is not used. Our sampling showed no use of the Cost of Development method.

The Douglas County Assessor uses the Capitalization of Ground Rents method for valuation of sand and gravel properties. We reviewed the analysis and found no exceptions.

The Douglas County Assessor represented that the Land Residual method is not used. Our sampling showed no use of the Land Residual method.

The Douglas County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling showed that land was reappraised.

To determine if changes to the roll from actions of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate action by the Board of Commissioners. To determine if parcel maps or subdivision maps were changed in the assessor records, we traced two changes through the system. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Douglas County Assessor. On November 3, 2011 we discussed the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report include:

Terry Rubald, Chief Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Greg Worms, Appraiser

8.6 Assessor's Response



ASSESSOR'S OFFICE

Douglas W. Sonnemann, Assessor

Phone: (775) 782-9830

Fax: (775) 782-9884

Web Site: <http://assessor.co.douglas.nv.us>

November 3, 2011

Terry Rubald, Chief
Division of Assessment Standards
State of Nevada – Department of Taxation
1550 E. College Parkway Suite 115
Carson City, NV 89706-7937

RECEIVED

NOV 07 2011

STATE OF NEVADA
DEPARTMENT OF TAXATION

Re: 2011 Land Audit

Dear Ms. Rubald:

We have received your Land Value Performance Audit report for 2011 for Douglas County. I have reviewed the report and have no problems or objections to the results and conclusions. We applaud all your hard work and effort.

I appreciate your working on the several guidance letters you intend to publish. This will help greatly in the performance of our duties.

Thank you for providing a copy of the report and if we can provide any further information or assistance please do not hesitate to let us know.

Sincerely,

Doug Sonnemann
Assessor

Douglas County Assessor's Office
Response to Audit Recommendations

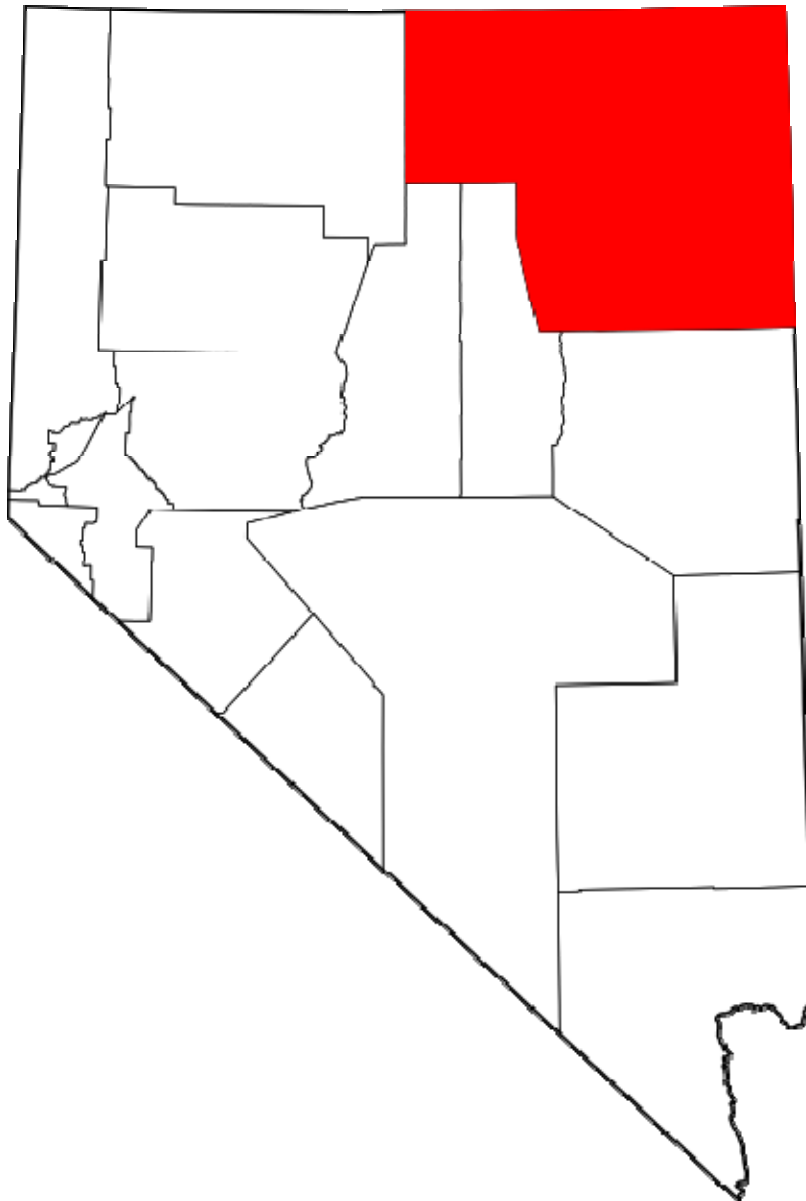
Recommendation Number	Description	Accepted	Rejected
	No findings	X	

8.7 Special Recognition

The Douglas County Assessor uses the income approach to establish values for properties engaged in the sale of aggregates including sand and gravel because sufficient comparable sales data is not available. The income approach may be more appropriate for the valuation of these types of properties. The Department is reviewing this issue and intends to issue direction to all assessors for the best practice for valuation of these types of properties.

Douglas County uses a parcel mapping system that is based on the Public Land Parcel System based on reference to township and range. More importantly, the parcel mapping system reconciles parcels within each section. Book and page systems do not have this cross reference or control. This parcel system was recognized as best practice in prior Office Reviews. The Douglas County system and the Clark County system are similar and are recommended for implementation by other counties when parcel systems are updated.

9 Elko County

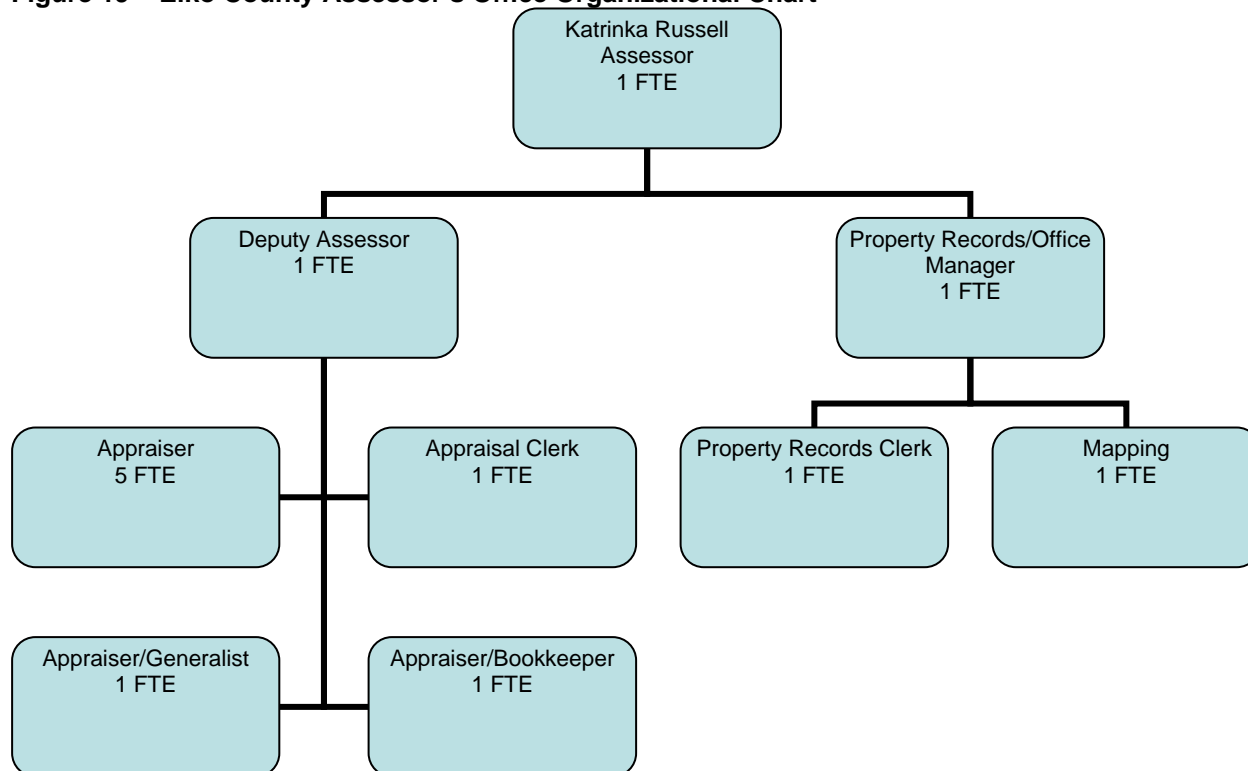


Map Source: www.wikipedia.org

9.1 *Organizational Structure*

Elko County is governed by a five-member Board of County Commissioners. Commissioners serve staggered four-year terms. The Commissioners select a chair and vice chair from among the five members. The Assessor is also elected to four-year terms. Other elected officials with statutory roles in the property tax system include the Clerk, District Attorney, Recorder, Treasurer, and Sheriff. The following chart shows the organization of the Assessor's Office.

Figure 19 – Elko County Assessor’s Office Organizational Chart



The 13 positions in the Elko County Assessor’s Office represent 13 Full Time Equivalents (FTE). The Elko County Assessor’s Office does not perform additional duties⁴⁸ beyond the statutory and administrative duties of county assessor. The County Treasurer collects the taxes due on both the secured and the unsecured rolls. Maintenance of assessor parcel maps is performed by personnel in the Assessor’s Office. Other portions of county government provide support services to the Assessor’s Office including the other elected officials and the County Manager’s Office, Community Development Department, Human Resources Department, and Information Technology Department.

Elko County maintains a website. The property tax roll⁴⁹ is posted in the website. The Elko County website contains additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. Recorded deeds are also available on the Elko County website.

9.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Elko County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

⁴⁸ For example, the Assessor’s Office does not operate a Department of Motor Vehicle branch office as do some of the rural Assessor’s Offices.

⁴⁹ NRS 361.0445(3) and 361.0445(4)

9.3 Statistics

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Elko County Assessor's Office.

# of Parcels	Acres	Land AV ⁵⁰	Land TV ⁵¹	Exempt Acres ⁵²
42,333	Not Meaningful	~\$295 million	~\$842 million	Not Meaningful

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Elko County Assessor's Office by land use code.

Figure 20 – Elko County Summary of Land Parcels by Land Use Code

		# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)		26,183	450,789.21	\$ 103,451,313
Residential Single Family (20 & 22)		9,455	22,597.70	80,928,401
Residential Townhouses/Condos (21, 24, 25)		191	1,057.20	1,023,857
Mobile Homes (23 & 26)		1,668	9,188.29	14,076,585
Multiresidential (30 - 36)		646	2,624.51	10,652,797
Commercial (40 - 44)		886	5,759.80	42,068,030
Industrial (50 - 52)		267	1,678.61	8,493,803
Agricultural Land (60)		2,632	2,487,430.31	25,828,890
Open Space (62)		159	1,297.97	3,317,987
Patented Mining Claims (63)		194	6,198.28	394,275
All Mining Property Including Mills (64)		9	5,555.10	1,591,580
Centrally Assessed Property (70)		18	149.40	77,817
Intracounty Public Utilities (71)		24	169.89	250,464
Centrally Assessed Property Local Portion (72)		1	9.99	3,007
Supplemental Real Roll	28			931,878
Leases (Oil & Gas)	58			1,622,817
Totals		42,333	2,994,506.26	294,713,501

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)⁵³ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military

⁵⁰ AV = Assessed Value. Assessed Value is 35% of Taxable Value. Elko County does not have the value of all lands in the county in their database. Primarily federal lands are omitted. Therefore, this number does not reflect the total land value for Elko County.

⁵¹ TV = Taxable value before exemptions. Elko County does not have the value of all lands in the county in their database. Therefore, this number does not reflect the total land value for Elko County.

⁵² Exempt acres include US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, Church, and other property. Elko County reported 1,556 parcels totaling 264,597.49 acres but there is more exempt acreage in Elko County than reported because Elko County does not have all land in the county in their database. Therefore, this number is not meaningful.

⁵³ [Chapter 69, Title 31 of the United States Code.](#)

installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 21 – Elko County Payment in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	6,830,925	6,830,284	6,830,284	6,830,284
FS (Forest Service) acres	1,068,898	1,068,898	1,068,898	1,068,893
FWS (Fish and Wildlife Service) acres	7,566	7,566	7,686	7,394
Total exempt acres	7,907,389	7,906,748	7,906,868	7,906,571
% of Total County acres (10,994,579)	72%	72%	72%	72%
Based on 2000 Census				
\$ Payment in Lieu	\$1,712,126	\$3,001,687	\$3,082,065	\$2,648,541
\$ PILT per acre	\$0.22	\$0.38	\$0.39	\$0.33

9.4 Findings and Recommendations

Five findings were made in the Land Valuation Performance Audit. Each finding is discussed in more detail on the following pages.

Finding #1001-EL01 – Valuation of the surface of patented mining claims

Criteria	Article 10, Section 5 of the Nevada Constitution, NRS 362.030 through 362.095, and NAC 362.410 outline the responsibilities of the county assessor for assessment of the surface of patented mines and mining claims, depending on the use of the land and whether or not an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes per NRS 362.050 is filed with the County Recorder.
Condition	The County Assessor assessed all patented mining claims at \$500 assessed value per claim, pursuant to NAC 362.410, however, no evidence of the “greater of” part was of the test in NAC 362.410 was documented. The Assessor reports that processes are in place to comply with exclusions available pursuant to NAC 362.050, but owners rarely file. No filings occurred during the period covered by the audit. Documentation of the use, location, area, and other attributes of the surface of each mining claim is not available in the assessor’s records. Documentation is necessary to make the appropriate decisions in applying statutes and regulations. The land area of each mining claim is not reconciled with overlapping claims and recorded in the assessor’s records.
Effect	Some mining claims may qualify for exemption from taxation if an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes form were filed and processed. This may have resulted in over taxation of these lands. The process of placing \$500 per claim assessed value on the surface of claims likely results in under-assessment and under taxation. For claims used for purposes other than mining or agriculture, there is likely under assessment and under taxation.
Cause	Processes are not in place to systematically evaluate (1) the use, location, area and other attributes of the surface of patented mining claims, (2) the valuation pursuant to NAC 362.410 or NRS 361.227, and (3) the exception, if applicable, per Article 10, Section 5 of the Nevada Constitution as further outlined in NRS 362.050.
Recommendation	<p>The Department recommends that the County Assessor develop and implement policies and procedures to:</p> <ol style="list-style-type: none"> 1. Document the use of the surface of each mining claim. 2. Provide Affidavit of Labor on Patented Mining Claims for Exemption of Taxes forms to owners and process forms to provide exemptions. 3. Determine the area for each mining claim and record the area in the records for each patented mining claim, including reconciliation of overlapping claims. 4. Value the surface ownership of the patented mining claim based on use and appropriately apply NAC 362.410 and/or NRS 361.227, as applicable. <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance.</p>

Finding #1001-EL02 – Parceling and mapping of patented mining claims

Criteria	<p>Pursuant to NRS 517.213(1), “The county recorder shall include all patented mines and mining claims in the county on the county map of mining claims in a manner which clearly distinguishes the patented mines and mining claims from the unpatented claims.”</p> <p>Pursuant to NRS 517.213(3) “A county recorder who records a map pursuant to this section shall, within 7 working days after the county recorder records the map, provide to the county assessor, at no charge, (a) a duplicate copy of the map and any supporting documents or (b) access to the digital map and any digital supporting documents. The map and supporting documents must be in a form that is acceptable to the county recorder and the county assessor.”</p> <p>Pursuant to NRS 361.189(1)(a) “All land in this State must be legally described for tax purposes by parcel number”</p> <p>Pursuant to NRS 361.189(1)(b) “Each county shall prepare and possess a complete set of maps drawn in accordance with such parceling system for all land in the County.”</p> <p>Pursuant to NRS 361.890(3) “The maps must readily disclose precisely what land is covered by any particular parcel number in the current fiscal year.”</p> <p>Pursuant to NRS 361.220, “Land may be described by metes and bounds, or other description sufficient to identify it, giving the locality and an estimate of the number of acres.”</p>
Condition	The Elko County Assessor assigns parcel numbers to patented mining claims outside of the regular parcel system. Assessor Parcel Maps do not show the relationship of surface ownership of patented mining claims to other surface ownership, including reconciliation of overlapping claims.
Effect	The Assessor Parcel Maps do not readily disclose the location of the surface ownership or precisely what land is covered by a particular parcel number. The lack of integration of patented mining claims with other land ownership makes accurate valuation of the surface of patented mining claims difficult.
Cause	The process of reconciling the surface ownership of each patented mining claims has not been undertaken. The transfer of this information in to the parcel system has not been undertaken. The process of integrating patenting mining claims into parcel maps has not been undertaken.
Recommendation	Identify and map the surface of patented mining claims by reconciling surface ownership of overlapping claims and incorporate the results into the regular parcel numbering system, including estimates of actual surface acreage owned. Update the parcel database accordingly. See Findings #1001-EL03 (non-contiguous parcels) and #1001-EL05 (Parcel numbers for federal lands) that recommend a change to the parcel numbering system patterned after the Douglas County parcel numbering system. The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance. The Department intends to facilitate efforts toward compliance, if possible.

Finding #1001-EL03 – Non-contiguous Parcels

Criteria	Per NRS361.189, all land in the State must be legally described by parcel number in accordance with systems approved by the Department of Taxation. In addition, <u>Property Appraisal and Administration</u> , 1990 edition, adopted by reference into the property tax regulations, defines a parcel as “A <i>contiguous area of land described in a single description or as one of a number of lots on a plat, separately owned, either publicly or privately; and capable of being separately conveyed</i> ”. Non-contiguous parcels were also discussed in prior Procedural Audits/Office Reviews.
Condition	Certain Elko County parcel maps observed during the audit reveal that a single parcel number is used for several non-contiguous parcels on a map. The parcel number is apparently used to identify the owner rather than identify the land.
Effect	The four standards for parcel identification system are uniqueness, permanency, simplicity, and uniformity. Assigning a single parcel number to numerous non-continuous parcels is contrary to these four standards.
Cause	Apparently, the parcel system is an attempt to identify ownership rather than land. It may also be for billing convenience.
Recommendation	Please also see the recommendation for findings #1001-EL05 (parcel numbers for federal lands) and #1001-EL02 (mapping of patented mining claims) that relate to this issue. The Department recommends that the County Assessor assign parcel numbers to various contiguous parcels based upon the standards. The Department also recommends that the County Assessor revise its parcel number system to conform substantially to the system developed in Douglas County. The Douglas County system is based on the public land survey system and expanded, as needed, for parcels within each section. The current parcel numbering system in Elko County is unnecessarily complex and could be simplified and streamlined through use of a system similar to the Douglas County example. Finding #1001-EL05 relates to the need to assign parcel numbers to lands that are not currently in the Elko County parcel system. Finding #1001-EL002 relates to the need to revise mapping and parcel numbers assigned to patented mining claims. Since both findings involve a lot of work, it makes sense to correct the numbering system at the same time. This issue was also addressed in the 2008-2009 Report of Assessment Ratio Study on pages 11 and 12.

Finding #1001-EL04 – Supporting documentation for site adjustments

Criteria	NRS 361.227 allows for adjustment on individual parcels within a defined market area to adjust the values obtained in the mass appraisal analysis for specific conditions unique to a particular parcel. These adjustments are referred to as site adjustments. NRS 361.227 requires supporting documentation for any adjustments.
Condition	Adjustments are made to certain parcels without the appropriate supporting documentation of the values. Many adjustments are made based on area rather than market influence. For example, if the topography on 30% of the parcel is greater than a certain threshold, a downward adjustment of 30% is made. The market “value” of the topography may be more or less than 30%.
Effect	Most adjustments are downward for negative influences. This generally results in undervaluation.
Cause	The Elko County Assessor does not perform the necessary analysis to support adjustments.
Recommendation	The Assessor should establish procedures to determine the influences on particular parcels within a defined market area and to retain documentation of the adjustments. The Assessor should conduct the appropriate studies of the market to support site adjustments.

Finding #1001-EL05 – Certain Land not included in parcel system

Criteria	NRS 361.189(1)(a) requires the Elko County Assessor to account for all the land in Elko County through the parcel system. NRS 361.189(1)(b) requires the Elko County Assessor to prepare and possess a complete set of maps for all parcels in Elko County.
Condition	The Elko County Assessor has not assigned parcel numbers to all land in Elko County. For the most part, land exempt from taxation is not listed or mapped. The acreage in Elko County based on the 2010 Census is 17,169.834 square miles or 10,988,694 acres. Elko County reported 2,994,506 acres in the 2009-2010 Statistical Analysis of the Roll, a difference of 7,994,188 acres. Land controlled by federal agencies totals 7,906,571 acres.
Effect	The parcel maps are incomplete and the amounts reported by the Elko County Assessor for use in the statistical analysis of the roll and other Department reports is incomplete.
Cause	The County Assessor has never implemented a project to list, value and exempt, if appropriate, these lands, and to reconcile these figures to summary figures such as acreage from census.
Recommendation	Please also see the recommendations in Findings #1001-EL03 (Non-contiguous parcels) and #1001-EL02 (Mapping of Patented Mining Claims) for related recommendations. It appears that lands currently not assigned parcel numbers are delineated in the Elko County Assessors Geographic Information System. Because there are many parcels that will have to be assigned numbers, it makes sense to improve the parcel numbering system currently used by Elko County to parallel the parcel numbering system used in Douglas County. The County Assessor should develop the new parcel numbering system and assign parcel numbers to existing parcels and parcels that do not currently have parcel numbers. The system should then be incorporated into the Assessor Parcel Maps and into the database (Advanced Data Systems) used for valuation and billing. Values should be assigned to exempt land, regardless of the exemption. One source of data that may be helpful is the BLM fair value of leased land in BLM's Right-of-Way and lease programs that contain estimated value of lands for each county in the United States. According to this system, Elko County is classified as rent zone 1 indicating a land value of \$250 per acre. The BLM fair market value system was part of the Federal Land Policy and Management Act of 1976 (FLPMA). This issue was also addressed in the 2008-2009 Report on Assessment Ratio Study on pages 11 and 12.

9.5 Audit Methodology

To gain an understanding of the operations of the Elko County Assessor's Office, we interviewed the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also reviewed information available on the Elko County website, the Statistical Analysis of the Roll, and prior office reviews. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

To evaluate the effectiveness of the Assessor's Office sales data collection processes, we traced 59 deeds randomly selected from the Elko County Recorder's records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. There were no exceptions.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%⁵⁴ with staff. We also obtained copies of any sales questionnaires related to the 59 deeds and reviewed other evidence of verification processes for the sales. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we reviewed the excel spreadsheets (workbooks) maintained for the five major reappraisal areas referred to as Blue, Green, Purple, Red, and Yellow areas. Within each major area identified by these colors, market areas were identified and analyzed on separate tabs within the workbook. The sales comparison approach was used in each of the market areas. We reviewed, in detail, the documentation for ten market areas and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. There were no exceptions, other than the support for site adjustments referred to in Finding #1001-EL04.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value⁵⁵ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

⁵⁴ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

⁵⁵ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	36
Residential Single Family (20 & 22)	13
Residential Townhouse Condo(21,24,25)	1
Mobile Homes (23 & 26)	4
Multiresidential (30 - 36)	2
Commercial (40 – 44)	2
Industrial (50 – 52)	2
Agricultural Land (60)	4
Open Space	1
Golf Courses (various)	3
Patented Mining Claims (63)	2
All Mining Property Including Mills (64)	1
Aggregates Quarries (67)	0
Centrally Assessed Property (70)	18
Intracounty Public Utilities (71)	1
Centrally Assess local portion (72)	1
Possessory Interests	6
Leases (Oil & Gas)	4
Geothermal	0
TOTAL	101

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space land, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. The exceptions noted in Findings # 1001-EL01, 02, 03, 04, and 05 resulted from this audit work.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we traced two parcel maps selected from items on the Elko County Commission agenda through the processes to record the split and allocate values to the new parcels. We also traced one zone change from an item on the Elko County Commission agenda through to the Assessor's records. There were no exceptions.

To determine if the Elko County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the nine parcels selected. We also recalculated the assessment on the nine parcels selected. There were no exceptions.

To determine if the Elko County Assessor's Office effectively determined properties eligible for the subdivision discount, we reviewed the subdivision discount files. There were no exceptions.

The Elko County Assessor reported that the abstraction method was not used to determine valuations but that abstraction was occasionally used to test the validity of values obtained from other methods. We did not encounter use of the abstraction method in any of the parcels sampled.

The Elko County Assessor reported that the allocation method was not used to determine valuations but that allocation was occasionally used to test the validity of values obtained from other methods. We did not encounter use of the allocation method in any of the parcels sampled.

The Elko County Assessor reported that the Cost of Development method is not used. We did not encounter use of the Cost of Development method in any of the parcels sampled.

The Elko County Assessor reported that the Capitalization of Ground Rents method is not used. We did not encounter use of the Capitalization of Ground Rents method in any of the parcels sampled.

The Elko County Assessor reported that the Land Residual method is not used. We did not encounter use of the Land Residual method in any of the parcels sampled.

The Elko County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling of parcels indicated that land was reappraised.

To determine if changes to the roll from actions of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate action by the Board of Commissioners. To determine if parcel maps or subdivision maps were changed in the assessor records, we traced two changes through the system. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Elko County Assessor. On December 20, 2011, we met with the Elko County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report include:

Terry Rubald, Chief-Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

9.6 Assessor's Response



Elko County Assessor

550 Court St.
Elko, NV 89801
775-738-5217
775-778-6795 fax
www.elkocountynv.net

Katrinka S. Russell, Assessor

Dennis DeArrieta, Deputy Assessor

January 25, 2012

Terry Rubald, Chief
Division of Assessment Standards
Nevada Department of Taxation
1550 College Parkway, Suite #115
Carson City, NV 89706

RE: Requested Response to Land Valuation Audit

Dear Terry,

I am writing this letter as per the request of the department to respond to the Land Valuation Audit and the subsequent findings.

First of all, I wish to comment on the work done by Bonnie Duke on this audit report. I think this is the first time I have seen such a comprehensive review of all the procedures and methodology involved in the appraisal of land as it is done in Nevada. It is very important that the assessors maintain uniformity and equality in the assessment process and this review will help towards making it happen. The Department is very helpful in working with us to identify areas where we can improve our land assessment practices/procedures and appreciate the efforts that were put into this.

I am going to respond to the findings in chronological order of sequence:

Finding #1001-EL01 Valuation of the surface of patented mining claims

1. We currently have all the patented mining claims on AutoCadd in our Community Development department. The claim maps that are recorded are mapped by their CADD operator and given to the Recorder to put in their plat books. We have had discussions about putting them on our GIS as a layer, but due to lack of manpower and time constraints this not been listed as a priority.
2. The County Recorder has an Affidavit of Labor on Patented Mining Claims form which is pending approval by the NTC, once this is done the form will be available through their office and on the website for processing. It is my understanding that this form is available thru the Department of Taxation and as of this date, only one person has filed this form in Elko County. When this form is recorded at the Recorder's office, we do apply the exemption as required by statute.

3. As indicated above, we have the ability to calculate the area of each claim. Reconciling overlapping claims is another issue and one we have yet to tackle. Elko County has many areas where multiple claims are stacked one upon another. Though the task of determining the order of ownership and appropriate remaining acreage is not impossible, we do not have the manpower or time to allocate the necessary research involved to reconcile these areas. We are committed to working with the Department to develop this data. (Additionally we are not able to act as courts to reconcile ownership where documents of record assign ownerships that overlap. If there is a process whereby other counties in the state determine which documents to deem irrelevant, I would be interested in being made aware of it. Otherwise I know of no such way for an Assessor to chose to disregard documents of record without the courts determining who has title to areas of conflict)
4. As stated in the finding, we currently assess all patented claims at \$500 per claim. We are certainly open to applying an alternative and perhaps more appropriate value to the claims, but first must determine the order of ownership and acreage attributable to each owner. We will work with the Department to develop this data and determine appropriate per acre values.

Finding #1001-EL02 Parceling and mapping of patented mining claims

This has a direct correlation to Finding #1001-EU01. Some of the issues were addressed above. The real challenge is reconciling the multiple layers of ownership that exist in certain mining districts in the County. To date, we have not had the resources to do the necessary research it would take to determine the order of ownership. We certainly would have the ability through the use of our GIS technology, to develop primary and remaining acreages once the layer is created. At this time, this would require outside assistance to conduct the necessary research needed to complete this project. This would also enable us to re-number the parcels to reference the Book and Page where they are located and when we try to comply with Finding #1001-EL05 this would also apply. They are currently identified with OPM in the first three digits of the parcel number. We are prepared to work with the Department to compile this data and apply the recommendations.

Finding #1001-EL03 Non Contiguous Parcels

This office has tried several times to renumber Elko County using your non-contiguous standards as a guide line. It soon became apparent each time that in doing so, our tax roll would go from over 43,000 parcels to several hundred thousand parcels. We are the 5th largest county in the United States, and we have many owners who have very large holdings of non-contiguous sections of land due to Federal ownership of lands in the checkerboard pattern. Additionally we have parcels of all types and sizes and to find a numbering system that works well and can be implemented consistently has proved to be very difficult in the past even when we asked for assistance from the Department of Taxation mapping personnel. While we see the value of what you are trying to accomplish, we realize that we cannot create for ourselves a situation wherein we simply do not have the budget to maintain the records once your system has been implemented. I feel sure that it isn't the Department's goal to force us to create a tax roll far larger than the existing tax roll, thereby making it costlier to maintain and less efficient in the assessment of property, and I would welcome further in depth discussion on this matter to see what solutions can be created.

Finding #1001-EL04 Supporting Documentation for site adjustments

We have site adjustments that are currently applied to land values. They are mostly topography issues. Prior to GIS we had to estimate the percentages to the best of our ability, now that we have GIS, we are utilizing it to determine actual areas for a more accurate adjustment. We are documenting those as they

Performance Audit #1001 – Land Valuation

come up for re-appraisal. Upon review, we do not have enough sales in one area to determine a market influence in regards to topography. But, as recommended by the Department, we will continue to review land sales in these areas to determine if topography is a market influence and if we are applying appropriate adjustments.

Overall, I am pleased with the Department's findings and will make every effort to comply with the recommendations as listed. I look forward to working with the Department on improving those areas and wish to thank the Department for their efforts in conducting the land valuation audit and taking the time to explain the process and their findings.

Kindest regards,

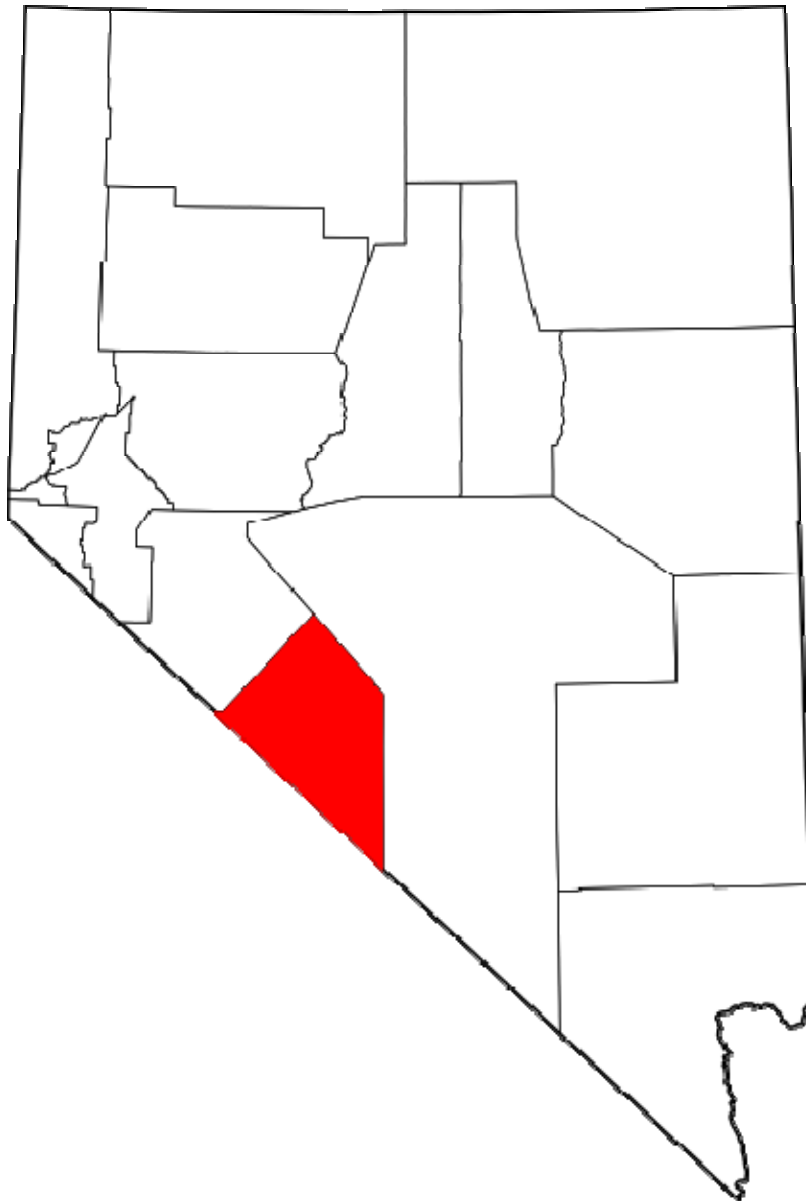
A handwritten signature in black ink, appearing to read "K. Russell".

Katrinka S. Russell
Elko County Assessor

Elko County Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
#1001-EL01	Patented Mining Claim Valuation		
#1001-EL02	Patented Mining Claim Mapping		
#1001-EL03	Non-contiguous Parcels		
#1001-EL04	Site Adjustment Support		
#1001-EL05	Certain Federal Lands Excluded from database		
5	Totals		

10 Esmeralda County

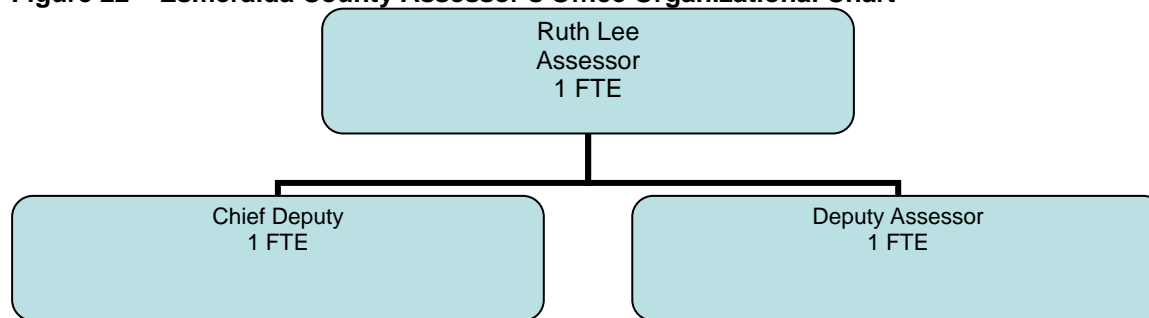


Map Source: www.wikipedia.org

10.1 Organizational Structure

The local governing board of Esmeralda County is composed of three elected members of the Board of County Commissioners. All of the Commissioners serve four-year staggered terms. The Chair and Vice-Chair of the Board of County Commissioners are selected from the three members. The County Assessor is also elected to four-year terms. Other elected officials with statutory roles in the property tax system include the Auditor/Recorder, Clerk/Treasurer, District Attorney, and Sheriff. The following chart shows the organization of the Esmeralda Assessor's Office.

Figure 22 – Esmeralda County Assessor’s Office Organizational Chart



The three positions in the Esmeralda County Assessor’s Office represent three Full Time Equivalents (FTE). The Esmeralda County Assessor’s Office performs additional duties beyond the statutory and administrative duties of Assessor. The Assessor’s Office operates a Department of Motor Vehicle branch office and coordinates the county wide computer systems. Maintenance of assessor parcel maps is not performed in house but is contracted to an outside firm to digitally maintain maps. The County Treasurer’s Office collects tax due on the secured roll. The Assessor’s Office collects tax due on the unsecured roll. Other portions of the county government provide support services to the Esmeralda County Assessor including other elected officials and county administration.

Esmeralda County maintains a website. The property tax roll⁵⁶ is posted in the website. The Esmeralda County website does *not* contain additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. Recorded deeds are *not* available on the Esmeralda County website.

10.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Esmeralda County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

10.3 Statistics

Statistical Analysis of the Roll

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Esmeralda Assessor’s Office.

# of Parcels	Acres	Land AV ⁵⁷	Land TV ⁵⁸	Exempt Acres ⁵⁹
2,811	2,216,630	~\$17 million	~\$48 million	2,184,040

⁵⁶ NRS 361.0445(3) and 361.0445(4)

⁵⁷ AV = Assessed Value. Assessed Value is 35% of Taxable Value

⁵⁸ TV = Taxable Value before exemptions

⁵⁹ Exempt acres include US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, Church and other property. Esmeralda County reported 305 exempt parcels totaling 2,184,039.86 acres in the 2009-2010 Statistical Analysis of the Roll.

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Esmeralda County Assessor's Office by land use code.

Figure 23 – Esmeralda County Summary of Land Parcels by Land Use Code

		# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)		1,715	2,194,242.34	\$ 11,646,083
Residential Single Family (20 & 22)		191	622.30	738,606
Mobile Homes (23 & 26)		234	667.22	871,681
Multiresidential (30 - 36)		120	3,074.13	603,433
Commercial (40 - 44)		87	152.67	302,145
Industrial (50 - 52)		2	35.99	15,791
Agricultural Land (60)		57	17,763.88	1,765,460
Open Space (62)		4	41.79	31,984
Patented Mining Claims (63)		376		663,682
All Mining Property Including Mills (64)		3	22.50	285,194
Centrally Assessed Property (70)				
Intracounty Public Utilities (71)		22	7.48	20,837
Other Land	2			837
Totals		2,811	2,216,630.30	16,945,733

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)⁶⁰ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 24 – Esmeralda County Payment in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	2,182,829	2,182,813	2,182,813	2,182,813
FS (Forest Service) acres	61,840	61,840	61,840	61,840
NPS (National Parks Service) acres	3,197	3,197	3,197	3,197
Total exempt acres	2,247,866	2,247,850	2,247,850	2,247,850
% of Total County acres (2,296,640)	98%	98%	98%	98%
Based on 2000 Census				
\$ Payment in Lieu	\$76,186	\$121,265	\$109,425	\$100,926
\$ PILT per acre	\$0.03	\$0.05	\$0.05	\$0.04

⁶⁰ [Chapter 69, Title 31 of the United States Code.](#)

10.4 Findings and Recommendations

Six findings were made in this Land Valuation Performance Audit. Each finding is discussed in more detail on the following pages.

Finding #1001-ES01 – Valuation of the surface of patented mining claims

Criteria	Article 10, Section 5 of the Nevada Constitution, NRS 362.030 through 362.095, and NAC 362.410 outline the responsibilities of the county assessor for assessment of the surface of patented mines and mining claims, depending on the use of the land and whether or not an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes per NRS 362.050 is filed with the County Recorder.
Condition	The County Assessor assessed all patented mining claims at \$500 assessed value per claim, pursuant to NAC 362.410, however, no evidence of the “greater of” part was of the test in NAC 362.410 was documented. The Assessor reports that processes are in place to comply with exclusions available pursuant to NAC 362.050. No filings for exclusion per NAC 362.050 were observed in the samples for the period covered by the audit. Documentation of the location, use, area and other attributes of the surface of each mining claim is not available in the assessor’s records. Documentation is necessary to make the appropriate decisions in applying statutes and regulations. The land area of each mining claim is not reconciled with overlapping claims and recorded in the assessor’s records.
Effect	Some mining claims may qualify for exemption from taxation if an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes form were filed and processed. The process of placing \$500 per claim assessed value (\$1,429 taxable value per claim) on the surface of claims likely results in under-assessment and under taxation. For claims used for purposes other than mining or agriculture, there is likely under assessment and under taxation. A realistic calculation of the effect on tax is not possible.
Cause	Processes are not in place to systematically evaluate (1) the use, location, area, and other attributes of the surface of patented mining claims, (2) the valuation pursuant to NAC 362.410 or NRS 361.227, and (3) the exception, if applicable, per Article 10, Section 5 of the Nevada Constitution as further outlined in NRS 362.050.
Recommendation	<p>The Department recommends that the County Assessor develop and implement policies and procedures to:</p> <ol style="list-style-type: none"> 1. Document the use, area, location and other attributes of the surface of each mining claim. 2. Provide Affidavit of Labor on Patented Mining Claims for Exemption of Taxes forms to owners and process forms to provide exemptions. 3. Determine if patented mining claims are no longer considered patented mining claims for purposes of taxation due to change of use or subsequent parceling. 4. Determine the area for each mining claim and record the area in the records for each patented mining claim, including reconciliation of overlapping claims. 5. Value the surface ownership of the patented mining claim and appropriately apply NAC 362.410, if applicable. <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance.</p>

Finding #1001-ES02 – Parceling and mapping of patented mining claims

Criteria	<p>Pursuant to NRS 517.213(1), “The county recorder shall include all patented mines and mining claims in the county on the county map of mining claims in a manner which clearly distinguishes the patented mines and mining claims from the unpatented claims.”</p> <p>Pursuant to NRS 517.213(3) “A county recorder who records a map pursuant to this section shall, within 7 working days after the county recorder records the map, provide to the county assessor, at no charge, (a) a duplicate copy of the map and any supporting documents or (b) access to the digital map and any digital supporting documents. The map and supporting documents must be in a form that is acceptable to the county recorder and the county assessor.”</p> <p>Pursuant to NRS 361.189(1)(a) “All land in this State must be legally described for tax purposes by parcel number”</p> <p>Pursuant to NRS 361.189(1)(b) “Each county shall prepare and possess a complete set of maps drawn in accordance with such parceling system for all land in the County.”</p> <p>Pursuant to NRS 361.890(3) “The maps must readily disclose precisely what land is covered by any particular parcel number in the current fiscal year.”</p> <p>Pursuant to NRS 361.220, “Land may be described by metes and bounds, or other description sufficient to identify it, giving the locality and an estimate of the number of acres.”</p>
Condition	The Esmeralda County Assessor assigns parcel numbers to patented mining claims outside of the regular parcel system. Assessor Parcel Maps do not show the relationship of surface ownership of patented mining claims to other surface ownership, including reconciliation of overlapping claims.
Effect	The Assessor Parcel Maps do not readily disclose the location of the surface ownership or precisely what land is covered by a particular parcel number. The lack of integration of patented mining claims with other land ownership makes accurate valuation of the surface of patented mining claims difficult.
Cause	The process of reconciling the surface ownership of each patented mining claim has not been undertaken. The transfer of this information in to the parcel system has not been undertaken. The process of integrating patenting mining claims into parcel maps has not been undertaken.
Recommendation	The Department recognizes that there are approximately 1,325 patented mining claims in Esmeralda County. The Department also recognizes that an undertaking to reconcile, map, and document use and value of the surface for compliance with the above criteria would require resources that may not currently be available. However, the Department recommends that the Assessor begin planning for a feasible way to identify and map the surface of patented mining claims by reconciling surface ownership of overlapping claims and incorporate the results into the regular parcel numbering system, including estimates of actual surface acreage owned. Once this process is completed, the Department recommends that the parcel database is updated accordingly.

Finding #1001-ES03 – Process to “post” values from mass appraisal analysis to individual parcels in the defined market area

Criteria	NRS 361.227 requires the Esmeralda County Assessor to determine the taxable value of properties using mass appraisal techniques and to “post” these values to individual parcels within the given market area
Condition	Testing indicated that the values on individual parcels within a given market area did not match the values determined in the mass appraisal analysis.
Effect	The resulting valuations on certain parcels were not correct. In general, this resulted in under assessment, however, either undervaluation or overvaluation might occur do to the lack of appropriate procedures to “post” the values.
Cause	The valuation process is largely manual and the update is entered into the appraisal/billing computerized system manually.
Recommendation	Establish procedures to assign values to each parcel using an excel spreadsheet and utilize the procedures available in the ADS system to upload the values into the computerized system.

Finding #1001-ES04– Supporting documentation for site adjustments

Criteria	NRS 361.227 allows for adjustment on individual parcels within a defined market area to adjust the values obtained in the mass appraisal analysis for specific conditions unique to a particular parcel. NRS 361.227 requires supporting documentation for any adjustments.
Condition	Adjustments are made to certain parcels without the appropriate supporting documentation of the values
Effect	Most adjustments are downward for negative influences. This generally results in under assessment.
Cause	The Esmeralda County Assessor does not perform the necessary analysis to support adjustments.
Recommendation	The Assessor should establish procedures to determine the influences on particular parcels within a defined market area and to retain documentation of the adjustments.

Finding #1001-ES05– Possessory interest in oil and gas leases not billed

Criteria	NRS 361.157 relates to possessory interests in real property. Pursuant to NRS 361.157 a possessory interest exists when any real estate or portion of real estate which for any reason is exempt from taxation is leased, loaned, or otherwise made available to or used by a natural person, association, partnership or corporation, in connection with a business conducted for profit or as a residence, or both. NRS 361.157 lists situations to which the statute does not apply, none of which relate to oil and gas leases. Pursuant to NRS 361.2275, the possessory interest must be durable, exclusive, and independent. Oil and gas leases meet these criteria. Oil and gas leases are usually not actively traded so sales data is generally not available. As a result, the sales comparison approach is generally not feasible. Pursuant to NRS 361.230, the minimum valuation for any oil and gas lease is \$1.25 assessed value per acre which is equivalent to \$3.57 taxable value per acre.
Condition	The Esmeralda County Assessor did not assess any of the oil and gas leases as of the field work for the audit. The Assessor assessed the leases following field work discussion. Policies and procedures were not in place to assure that the possessory interests were listed.
Effect	Owners of oil and gas interests were not billed and therefore, under assessment and under taxation exist.
Cause	Policies and procedures for obtaining the file form the BLM and generating bills are not in place.
Recommendation	Design and implement policies and procedures to annually obtain the information on oil and gas leases and appropriately value, list, an assess the possessory interests.

Finding #1001-ES06 Information not maintained on the Internet

Criteria	NRS 361.0445(3) states that “Each county assessor and county treasurer shall, to the extent feasible, provide on a website or other Internet site, if any, that is operated or administered by or on behalf of the county or the county assessor or county treasurer, information In a form that is easily understood and readily accessible to the public.” NRS 361.0445(4) states that “The Department and each county shall update and upgrade the websites or other Internet sites maintained pursuant to this section to the extent necessary to improve the quantity, quality and accessibility of the information provided to the public on the Internet.” This requirement was added to the statutes in 2005 through AB128.
Condition	Esmeralda County has a website and the roll is posted on the website. However, no information is available regarding property and copies of recorded deeds are not available on the website.
Effect	The public cannot readily get information about land parcels and other information online. Parcel maps are only available in paper form from the Assessor’s Office.
Cause	Funds have not been appropriated to provide the information on the website.
Recommendation	Esmeralda County should consider appropriating funds from the Assessor Technology Fund, when and if available, to provide additional online access to information similar to the systems used by other ADS customers.

10.5 Audit Methodology

To gain an understanding of the operations of the Esmeralda County Assessor's Office, we interviewed the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also reviewed limited information available on the Esmeralda County website, the Statistical Analysis of the Roll, and prior office reviews. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

To evaluate the effectiveness of the Assessor's Office sales data collection processes, we traced 92 deeds representing all deeds recorded for the period January 1, 2009 to December 31, 2009 to the sales database maintained by the County Assessor. The Assessor only enters vacant sales into the database.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 92 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%⁶¹ with staff. Of the 92 transactions reviewed, 63 (69%) were deemed to be non-sales, 1 (1%) was a multiple parcel sale, 4 (4%) were improved sales, 4 (4%) were under 20%, 16 (17%) were between 20% and 40%, and 4 (4%) were over 40%. We also obtained copies of any sales questionnaires related to the 92 deeds and reviewed other evidence of verification processes for the sales. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we reviewed the summary and detail analysis of each market area. The sales comparison approach was used in each of the market areas. We reviewed, in detail, the documentation for all market areas and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. Finding #1001-ES04 resulted from these audit procedures.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value⁶² for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

⁶¹ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

⁶² The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	37
Residential Single Family (20 & 22)	5
Residential Townhouse Condo(21,24,25)	0
Mobile Homes (23 & 26)	5
Multiresidential (30 - 36)	3
Commercial (40 – 44)	2
Industrial (50 – 52)	1
Agricultural Land (60)	4
Open Space	0
Golf Courses (various)	0
Patented Mining Claims (63)	9
All Mining Property Including Mills (64)	2
Aggregates Quarries (67)	0
Centrally Assessed Property (70)	2
Intracounty Public Utilities (71)	1
Centrally Assess local portion (72)	0
Possessory Interests	0
Leases (Oil & Gas)	2
Geothermal	0
TOTAL	73

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space land, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. The exceptions noted in Findings # 1001-ES01, 1001-ES02, 1001-ES03, 1001-ES04, and 1001-ES05 resulted from this audit work.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we traced one parcel map selected from items on the Esmeralda County Commission agenda through the processes to record the split and allocate values to the new parcels. There is no zoning in Esmeralda County so no tests were performed for this objective. There were no exceptions.

To determine if the Esmeralda County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the nine parcels selected. We also recalculated the assessment on the nine parcels selected. There were no exceptions.

To determine if the Esmeralda County Assessor's Office effectively determined properties eligible for the subdivision discount, we reviewed the parcels in Book 7. There were no exceptions.

The Esmeralda County Assessor reported that the abstraction method was not used. We did not encounter use of the abstraction method in any of the parcels sampled.

The Esmeralda County Assessor reported that the allocation method was not used. We did not encounter use of the allocation method in any of the parcels sampled.

The Esmeralda County Assessor reported that the Cost of Development method is not used. We did not encounter use of the Cost of Development method in any of the parcels sampled.

The Esmeralda County Assessor reported that the Capitalization of Ground Rents method is not used. We did not encounter use of the Capitalization of Ground Rents method in any of the parcels sampled.

The Esmeralda County Assessor reported that the Land Residual method is not used. We did not encounter use of the Land Residual method in any of the parcels sampled.

The Esmeralda County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling of parcels indicated that land was reappraised.

To determine if changes to the roll from actions of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate action by the Board of Commissioners. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Esmeralda County Assessor. On December 8, 2011, we met with the Esmeralda County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report include:

Terry Rubald, Chief-Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

10.6 Assessor's Response



OFFICE OF ASSESSOR ESMERALDA COUNTY, NEVADA

Ruth P. Lee
Assessor
Phone: (775) 485-6380
assessor3@frontiernet.net

P.O. Box 471
Goldfield, NV 89013
Fax: (775) 485-3450
www.accessesmeralda.com

9 December 2011

Department of Taxation
Duke, Bonnie
1550 E. College Parkway, Suite 115
Carson City, NV 89706

Re: Land Valuation Audit #1001

Ms. Duke,

This letter is to reply to the finding by the Department of the above mentioned audit:

Finding #1001-ES01

I reject the finding by the department that these are assessed in error. I have been informed that a GIS class is doing the mapping of these mining claims, but the audit process of the acreage cannot be guaranteed and I do not believe putting a per acre value on these claims would be a viable option. I would like to have the patented mines put on GIS for the customers, but not sure how this will work as we have no GIS in the county at all. If the class gets the mapping done then it will be a work in progress and could be as long as 10 years before this is completed.

Finding #1001-ES02

Same as above and could be as long as 10 years depending on the GIS class and the interns that could work on it. We do not have the staff or the monetary supply to do this project.

Finding #1001-ES03

This has been addressed and corrected on the same day it was pointed out to the office.

Finding #1001-ES04

The values will be noted on the land reappraisal sheet and will have back up for values present and in the future as data becomes available.

Finding #1001-ES05

This has been corrected and billing has been done.

Finding #1001-ES06

The county will be on contract with a company that can supply the website and be able to go live with all data. I hope to have this up and running within a year.

Sincerely,



Ruth P. Lee
Esmeralda County Assessor

Esmeralda County Assessor's Office
Response to Audit Recommendations

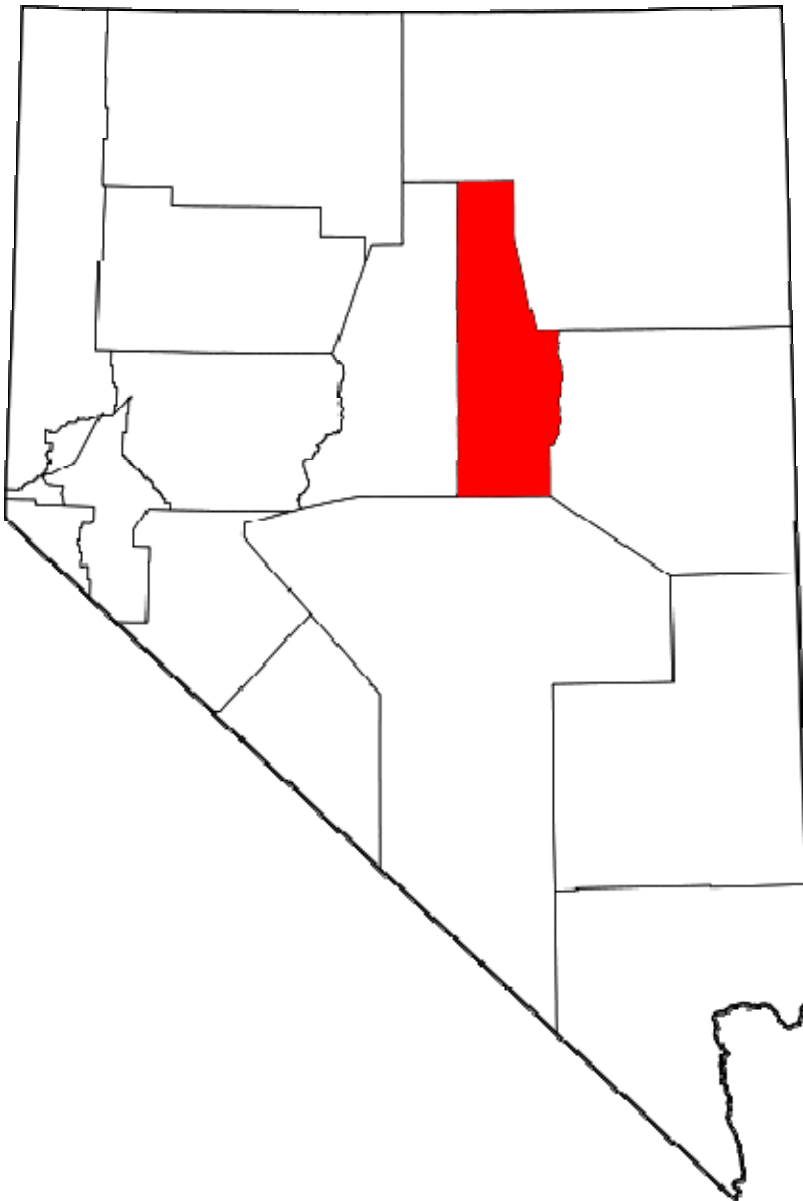
Recommendation Number	Description	Accepted	Rejected
#1001-ES01	Patented Mining Claim Valuation		X
#1001-ES02	Patented Mining Claim Mapping		X
#1001-ES03	Process to “post” values from mass appraisal analysis to individual parcels in the defined market area	X	
#1001-ES04	Supporting documentation for site adjustments	X	
#1001-ES05	Possessory interest in oil and gas leases not billed	X	
#1001-ES06	Information not maintained on the Internet	X	
	Totals	4	2

Rebuttal to rejected findings:

The Esmeralda County Assessor rejected the findings regarding mapping and valuation of patented mining claims based on budget constraints. Budget constraints do not negate the finding, only the methodology to come into compliance with the applicable statutes and regulations. There is no evidence of the required calculations requiring the greater of full cash value or \$500 assessed value per claim. The Department undertook efforts to coordinate a solution through the use of the internship program in the GIS department of Western Nevada College at no cost to Esmeralda County. This effort demonstrated that Esmeralda can come into compliance within reasonable budgetary constraints. The Department does not concur with the rejection of the finding.

There are approximately 1,500 patented mining claims in Esmeralda County representing approximately 30,000 acres of land. Assuming 1,500 claims at \$500 assessed value per claim, the taxable value is approximately \$2.1 M or \$84 per acre. At a tax rate of \$3.0195 per \$100 of assessed valuation, approximately \$23,000 in tax is collected. Per the Esmeralda County mass appraisal, 9-12 acre parcels are generally valued at \$1,725 per acre before a negative 62.5% adjustment is applied for lack of water rights, resulting in a per acre value of approximately \$650 per acre. Assuming 30,000 acres at \$650 per acre, a taxable value of \$19,500,000 or an assessed value of \$6,825,000 would result in tax of approximately \$206,081.

11 Eureka County

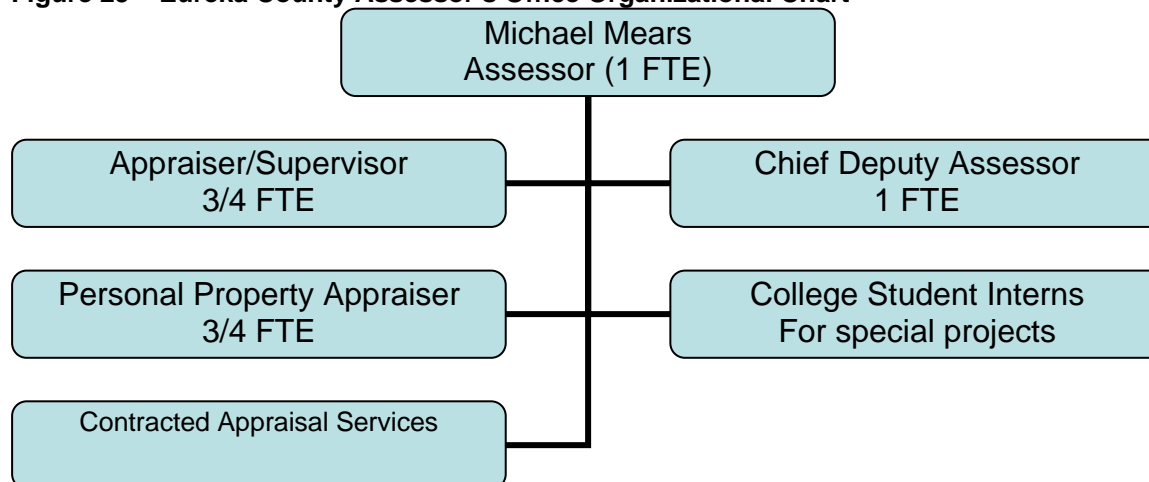


Map Source: www.wikipedia.org

11.1 Organizational Structure

The local governing board of Eureka County is composed of three elected members of the Board of County Commissioners. All of the Commissioners serve four-year staggered terms. The Chair and Vice-Chair of the Board of County Commissioners are selected from the three members. The County Assessor is also elected to four-year terms. Other elected officials with statutory roles in the property tax system include the Auditor/Recorder, Clerk/Treasurer, District Attorney, and Sheriff. The following chart shows the organization of the Eureka County Assessor's Office.

Figure 25 – Eureka County Assessor’s Office Organizational Chart



The four positions in the Eureka County Assessor’s Office represent 3.5 Full Time Equivalents (FTE). The Assessor contracts out certain appraisal services to an outside consultant. The Eureka County Assessor’s Office performs additional duties beyond the statutory and administrative duties of Assessor. The Assessor’s Office operates a Department of Motor Vehicles Branch office and provides county-wide GIS and IT services. Maintenance of assessor parcel maps is performed in-house using county personnel. The Clerk-Treasurer’s Office collects taxes due on the secured roll. The Assessor’s Office collects taxes due on the unsecured roll. Other elected and appointed officials provide support to the County Assessor’s office in areas such as human resources, budget, and administration.

Eureka County maintains a website. The property tax roll⁶³ is posted on the website. The Eureka County website contains additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. Recorded deeds are available on the Eureka County website.

11.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Eureka County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

⁶³ NRS 361.0445(3) and 361.0445(4)

11.3 Statistics

Statistical Analysis of the Roll

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes land valuations performed by the Eureka County Assessor's Office.

# of Parcels	Acres	Land AV ⁶⁴	Land TV ⁶⁵	Exempt Acres ⁶⁶
4,565	2,671,519	~\$26 million	~\$75 million	2,118,069

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Eureka County Assessor's Office by land use code.

Figure 26 – Eureka County Summary of Land Parcels by Land Use Code

		# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)		2,992	2,181,890.12	\$ 9,274,036
Residential Single Family (20 & 22)		206	1,035.82	1,327,500
Mobile Homes (23 & 26)		295	1,426.68	1,237,832
Multiresidential (30 - 36)		56	812.94	367,748
Commercial (40 - 44)		103	915.75	963,570
Industrial (50 - 52)		15	2,982.24	237,135
Agricultural Land (60)		716	463,068.98	9,789,535
Patented Mining Claims (63)		126	185.33	282,690
All Mining Property Including Mills (64)		36	19,150.14	1,580,431
Centrally Assessed Property (70)		10	44.78	14,660
Intracounty Public Utilities (71)		9	5.87	17,746
Centrally Assessed Local Portion (72)		1	0.13	6,185
Leases (Oil and Gas)	39			814,523
Totals		4,565	2,671,518.78	25,913,591

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)⁶⁷ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the

⁶⁴ AV = Assessed Value. Assessed Value is 35% of Taxable Value

⁶⁵ TV = Taxable Value before exemptions

⁶⁶ Exempt acres includes US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, Church and other lands. Eureka County had 745 exempt parcels totaling 2,118,068.85 acres according to the 2009-2010 Statistical Analysis of the Roll.

⁶⁷ [Chapter 69, Title 31 of the United States Code](#).

payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 27 – Eureka County Payment in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	2,012,936	2,012,776	2,012,776	2,012,776
FS (Forest Service) acres	144,139	144,139	144,139	144,139
Total exempt acres	2,157,075	2,156,915	2,156,915	2,156,915
% of Total County acres (2,672,435)	81%	81%	81%	81%
Based on 2000 Census				
\$ Payment in Lieu	\$138,238	\$227,180	\$245,460	\$275,208
\$ PILT per acre	\$0.06	\$0.11	\$0.11	\$0.13

11.4 Findings and Recommendations

Three findings were made. Each finding is discussed in more detail on the following pages.

Finding #1001-EU01 – Valuation of the surface of patented mining claims

Criteria	Article 10, Section 5 of the Nevada Constitution, NRS 362.030 through 362.095, and NAC 362.410 outline the responsibilities of the county assessor for assessment of the surface of patented mines and mining claims, depending on the use of the land and whether or not an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes per NRS 362.050 is filed with the County Recorder.
Condition	The County Assessor assessed all patented mining claims at \$500 assessed value per claim, pursuant to NAC 362.410, however, no evidence of the “greater of” part was of the test in NAC 362.410 was documented. The Assessor reports that processes are in place to comply with exemptions available pursuant to NAC 362.050. Documentation of the use and other attributes of the surface of each mining claim is not available in the assessor’s records. Documentation is necessary to make the appropriate decisions in applying statutes and regulations. The land area of each mining claim is not reconciled with overlapping claims and recorded in the assessor’s records.
Effect	Some mining claims may qualify for exemption from taxation if an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes form were filed and processed. The process of placing \$500 per claim assessed value on the surface of claims likely results in under-assessment and under taxation. For claims used for purposes other than mining or agriculture, there is likely under assessment and under taxation.
Cause	Processes are not in place to systematically evaluate (1) the use, location, area and other attributes of the surface of patented mining claims, (2) the valuation pursuant to NAC 362.410 or NRS 361.227, and (3) the exemption, if applicable, per Article 10, Section 5 of the Nevada Constitution as further outlined in NRS 362.050.
Recommendation	<p>The Department recommends that the County Assessor develop and implement policies and procedures to:</p> <ol style="list-style-type: none"> 1. Document the use, area, location and other attributes of the surface of each mining claim. 2. Provide Affidavit of Labor on Patented Mining Claims for Exemption of Taxes forms to owners and process forms to provide exemptions. 3. Determine the area for each mining claim and record the area in the records for each patented mining claim, including reconciliation of overlapping claims. 4. Determine if patented mining claims are no longer considered patented mining claims for purposes of taxation due to change or use or subsequent parceling 5. Value the surface ownership of the patented mining claim and appropriately apply NAC 362.410, if applicable. <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance.</p>

Finding #1001-EU02 – Parceling and mapping of patented mining claims

Criteria	<p>Pursuant to NRS 517.213(1), “The county recorder shall include all patented mines and mining claims in the county on the county map of mining claims in a manner which clearly distinguishes the patented mines and mining claims from the unpatented claims.”</p> <p>Pursuant to NRS 517.213(3) “A county recorder who records a map pursuant to this section shall, within 7 working days after the county recorder records the map, provide to the county assessor, at no charge, (a) a duplicate copy of the map and any supporting documents or (b) access to the digital map and any digital supporting documents. The map and supporting documents must be in a form that is acceptable to the county recorder and the county assessor.”</p> <p>Pursuant to NRS 361.189(1)(a) “All land in this State must be legally described for tax purposes by parcel number”</p> <p>Pursuant to NRS 361.189(1)(b) “Each county shall prepare and possess a complete set of maps drawn in accordance with such parceling system for all land in the County.”</p> <p>Pursuant to NRS 361.890(3) “The maps must readily disclose precisely what land is covered by any particular parcel number in the current fiscal year.”</p> <p>Pursuant to NRS 361.220, “Land may be described by metes and bounds, or other description sufficient to identify it, giving the locality and an estimate of the number of acres.”</p>
Condition	<p>The Eureka County Assessor mapped all patented mining claims in Book 9. Parcel maps refer to Book 9 for the location of patented mining claims. Assessor Parcel Maps do not reconcile overlapping claims. Acreage, based on reconciliation of overlapping claims, is not shown. Multiple parcel numbers may be assigned to each mining claim for purposes of billing multiple owners.</p>
Effect	<p>The Assessor Parcel Maps disclose the location of the surface ownership. The lack of accurate acreage based on reconciliation of overlapping claims makes accurate valuation of the surface of patented mining claims difficult.</p>
Cause	<p>The process of reconciling overlapping claims and eliminating ownership issues from the parcel mapping system has not been undertaken.</p>
Recommendation	<p>Identify and map the surface of patented mining claims by reconciling surface ownership of overlapping claims and incorporate the results into the existing maps, including estimates of actual surface acreage owned. Update the parcel database accordingly.</p> <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance. The Department intends to facilitate efforts toward compliance, if possible.</p>

Finding #1001-EU03 – Support for site adjustments

Criteria	NRS 361.227 allows for adjustment on individual parcels within a defined market area to adjust the values obtained in the mass appraisal analysis for specific conditions unique to a particular parcel. NRS 361.227 requires supporting documentation for any adjustments.
Condition	Adjustments are made to certain parcels without the appropriate supporting documentation of market information of the value of the attribute.
Effect	Most adjustments are downward for negative influences. This generally results in under assessment.
Cause	The Eureka County Assessor does not perform the necessary analysis to support adjustments.
Recommendation	The Assessor should conduct appropriate market studies to determine the value of any site adjustment. The Assessor should establish and implement policies and procedures to determine the value of site adjustments and retain the documentation of the adjustments. This issue was also addressed in the 2009-2010 Report on Assessment Ratio Study on page 14.

11.5 Audit Methodology

To gain an understanding of the operations of the Eureka County Assessor's Office, we interviewed the Assessor and the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also reviewed information available on Eureka County's website, the Statistical Analysis of the Roll and prior office reviews. We documented and assessed the internal controls in the Assessor's Office relating to land valuation practices and procedures.

To evaluate the effectiveness of the Assessor's Office sales data collection processes, we traced 59 deeds randomly selected from the Eureka County Recorder's records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. There were no exceptions.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%⁶⁸ with staff. We also obtained copies of any sales questionnaires related to the 59 deeds and reviewed other evidence of verification processes for the sales. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we listed the market areas defined by the Assessor and obtained copies of maps depicting the market areas. The sales comparison approach was used in each of the market areas. Since there were fewer than 20 market areas defined, we reviewed the documentation for each market area and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. Finding #1001-EU03 is a result of these audit procedures.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value⁶⁹ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

⁶⁸ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

⁶⁹ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	39
Residential Single Family (20 & 22)	3
Residential Townhouse Condo(21,24,25)	0
Mobile Homes (23 & 26)	4
Multiresidential (30 - 36)	0
Commercial (40 – 44)	1
Industrial (50 - 52)	1
Agricultural Land (60)	9
Open Space (62)	0
Golf Courses (various)	0
Patented Mining Claims (63)	4
All Mining Property Including Mills (64)	1
Aggregates Quarries (67)	0
Centrally Assessed Property (70)	10
Intracounty Public Utilities (71)	0
Centrally Assess local portion (72)	1
Possessory Interests	2
Leases (Oil & Gas)	4
Geothermal	0
TOTAL	79

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space land, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. The exceptions noted in Findings #1001-EU01 and 100-EU02 resulted from this audit work.

To determine if adequate policies and procedures exist for recording changes such as parcel splits, we traced two parcel maps selected from items on the Eureka County Commission agenda through the processes to record the split and allocate values to the new parcels. There were no exceptions. Zoning does not exist in Eureka County and therefore, zoning changes were not tested.

To determine if the Eureka County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the nine parcels selected. We also recalculated the assessment on the nine parcels selected. There were no exceptions.

The Eureka County Assessor's Office reported that no properties are eligible for the subdivision discount per NAC 361.129 and 361.1295 because no qualified subdivisions exist in the county. We did not encounter any qualified subdivisions in our samples.

The Eureka County Assessor's Office reported that the abstraction method was not used. We did not encounter any use of the abstraction method in our samples.

The Eureka County Assessor's Office reported that the allocation method was not used. We did not encounter any use of the allocation method in our samples.

The Eureka County Assessor represented that the Cost of Development method is not used. Our sampling showed no use of the Cost of Development method.

The Eureka County Assessor represented that the Capitalization of Ground Rents method is not used. Our sampling showed no use of the Capitalization of Ground Rents method.

The Eureka County Assessor represented that the Land Residual method is not used. Our sampling showed no use of the Land Residual method.

The Eureka County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling indicated annual reappraisal of the parcels tested.

The Eureka County Assessor indicated that changes to the roll are accomplished as follows: changes after the roll is closed, changes

To determine if changes to the roll from actions of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate action by the Board of Commissioners. To determine if parcel maps or subdivision maps were changed in the assessor records, we traced two changes through the system. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Eureka County Assessor. On January 10, 2012 we met with the Eureka County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report included:

Terry Rubald, Chief - Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

11.6 Assessor's Response



January 10, 2012

Terry Rubald, Chief
Division of Assessment Standards
Nevada Department of Taxation
1550 College Parkway, Suite #115
Carson City, NV 89706

RECEIVED

JAN 20 2012

STATE OF NEVADA
DEPARTMENT OF TAXATION

LAND VALUATION AUDIT RESPONSE

Dear Terry,

I am writing in response to the Land Valuation Audit and subsequent conference call held this morning.

First, I wish to commend the Department, and specifically Bonnie Duke, for the effort that has been made to produce this audit report. I believe it is extremely important that the assessors and the Department work together to identify areas where we can improve our assessment practices/procedures and appreciate the spirit of cooperation that existed through this process.

In response to finding #1001-EU01, I offer the following based on the Department's recommendations:

1. We currently have a fairly comprehensive mapping database of existing patented mining claims, including GIS layers to assist in locating claims, identifying use, and calculating surface area.
2. The County Recorder has an Affidavit of Labor on Patented Mining Claims form which is available through their office for processing. It is my understanding that this form was generated by the County Recorder and to date, none have ever been recorded. I review the Recorder's document index regularly and specifically, in November, query the index for these affidavits.
3. As indicated above, we have the ability to calculate the area of each claim. Reconciling overlapping claims is another issue and one we have yet to tackle. Eureka County has many areas where multiple claims are stacked one upon another. Though the task of determining the order of ownership and appropriate remaining acreage is not impossible, we have not had the staff time to allocate to the necessary research involved to reconcile these areas. We are committed to working with the Department to develop this data.
4. Through the use of our GIS as well as physical inspections, we do our best to ascertain the current use of all patented claims in the County.

DEPARTMENT OF MOTOR VEHICLES

KATHY BACON-BOWLING, APPRAISER II

GARNEY DAMELE, CHIEF DEPUTY ASSESSOR

SARA SIMMONS, APPRAISER I

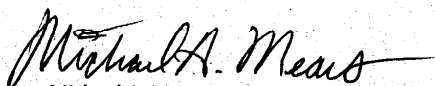
5. As stated in the finding, we currently assess all patented claims at \$500 per claim. We are certainly open to applying an alternative and perhaps more appropriate value to the claims, but first must determine the order of ownership and acreage attributable to each owner (item 3 above and finding #1001-EU02). We will work with the Department to develop this data and determine appropriate per acre values.

Finding #1001-EU02 has a direct correlation to finding #1001-EU01. Again, we have developed mapping data to assist us in locating patented claims, determining use and calculating acreages. The real challenge is reconciling the multiple layers of ownership that exist in certain mining districts in the County. To date, we have not had the resources to do the necessary research it would take to determine the order of ownership. We certainly have the ability through the use of our GIS technology, to develop primary and remaining acreages once the order is established. At the moment, this would require outside assistance to conduct the necessary research needed and with the number of claims in the County, I would estimate we would need at least 2 years to fully address this issue. As previously stated, we are prepared to work with the Department to compile this data while recognizing this is a sizable task.

Responding to finding #1001-EU03, we have only two site adjustments that are currently applied. First, we have identified that the existence or access to electricity has a positive impact on land values in areas of otherwise vacant land. We have conducted analysis and documented our results to support the percentage increase that we apply to parcels meeting these criteria. Second, we have certain areas where we have applied topographic adjustments. In the past, this was somewhat of a subjective adjustment as the impacted area of the parcel was not always accurately identified. We have begun utilizing our GIS to determine actual areas of a parcel which are influenced by extreme topography. As recommended by the Department, we will continue to review land sales in these areas to determine if topography is a market influence and if we are applying appropriate adjustments.

In summary, I am pleased with the Department's findings and believe we are doing well in our approaches to land valuation in Eureka County. I look forward to working with the Department on improving the areas recognized in the findings and again, wish to thank the Department for their efforts in conducting the audit.

Sincerely,



Michael A. Mears
Eureka County Assessor

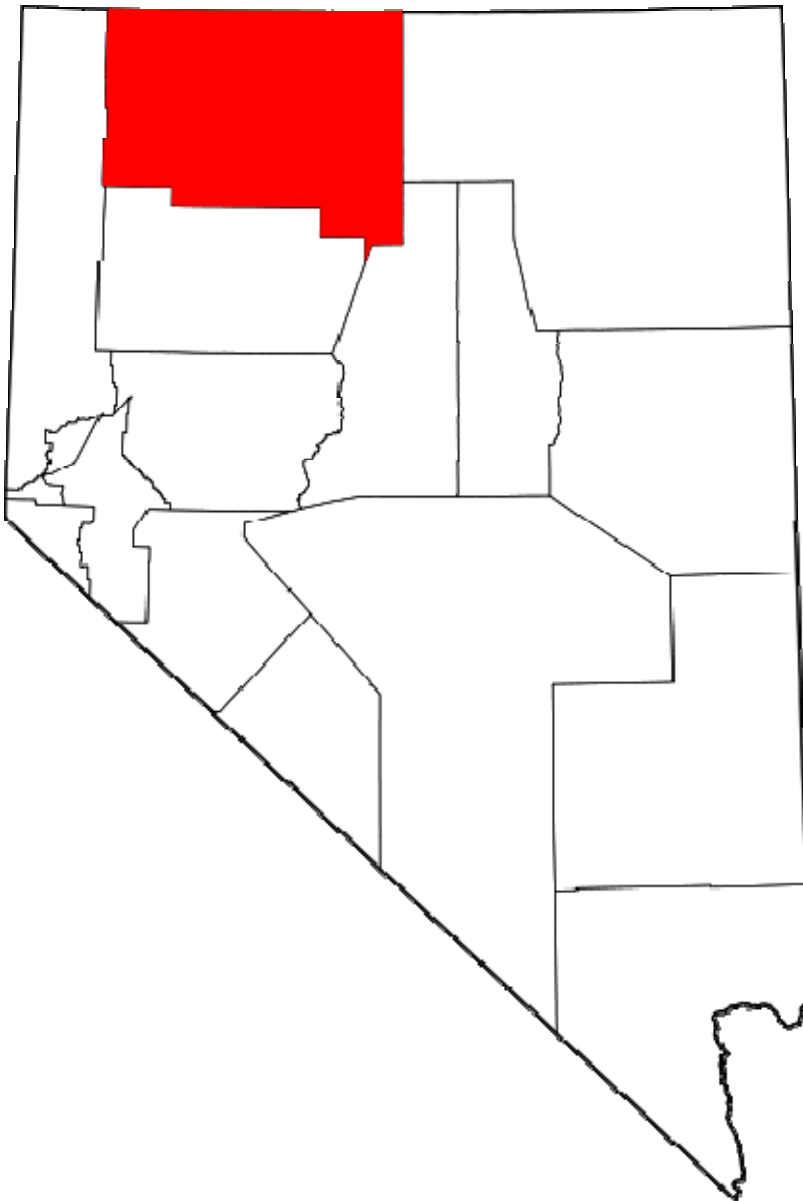
Eureka County Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
#1001-EU01	Patented Mining Claim – Valuation	X	
#1001-EU02	Patented Mining Claim – Mapping	X	
#1001-EU03	Site Adjustment Support	X	
	Totals	3	

11.7 Special Recognition

The Eureka County Assessor uses GIS and aerial mapping in addition to site visits and interviews of operators to measure various classifications of agricultural property. The files for agricultural properties, including maps and screen shots to show accurate transfer of values to computer system, are well organized.

12 Humboldt County

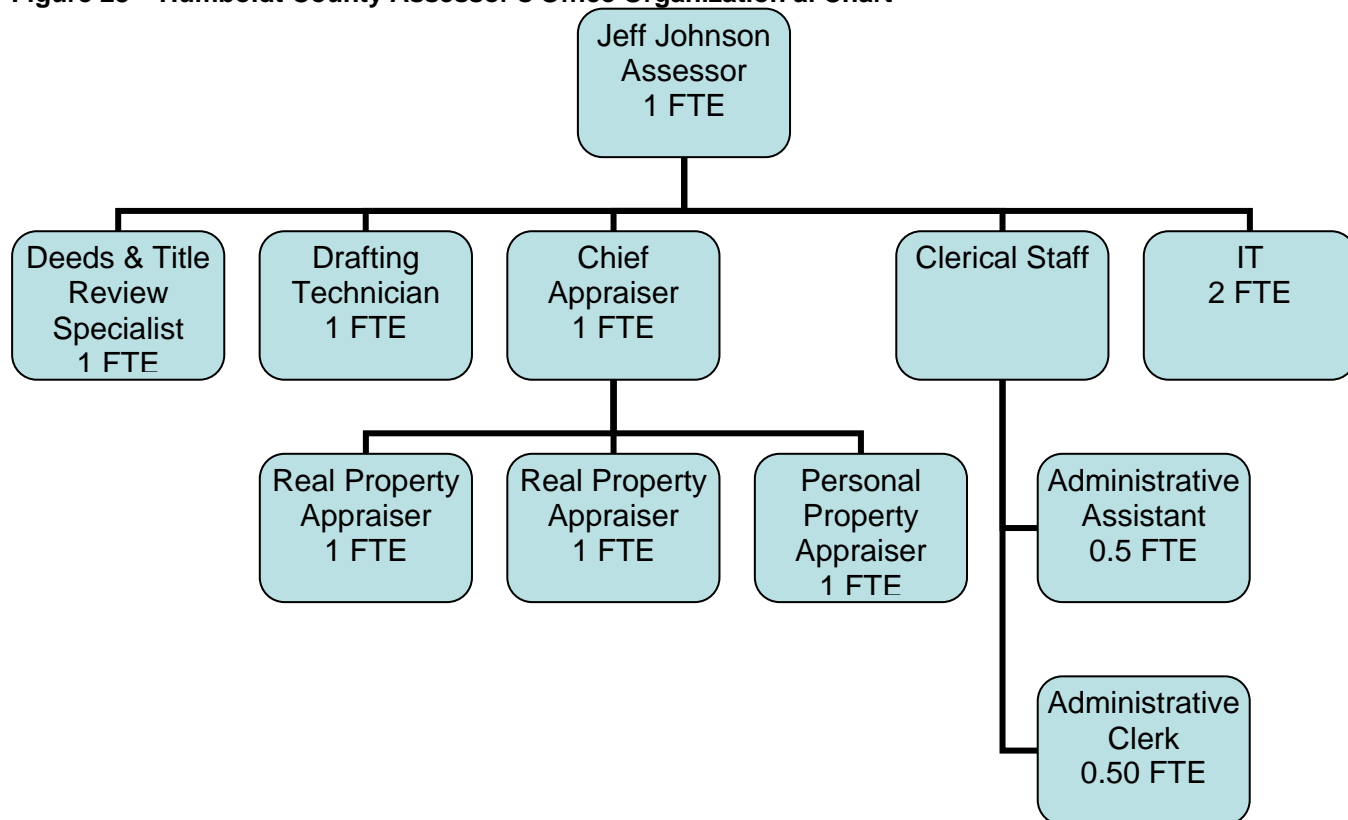


Map Source: www.wikipedia.org

12.1 Organizational Structure

The local governing board of Humboldt County is composed of five elected members of the Humboldt County Board of Commissioners. All of the commissioners serve four-year staggered terms. The Board selects a chair and vice-chair from among the five elected Commissioners. The Humboldt County Assessor is also elected to four-year terms. Other elected officials with roles in the property tax system include the County Clerk, District Attorney, Recorder, Sheriff and Treasurer. The organization chart for the Humboldt County Assessor's Office follows.

Figure 28 – Humboldt County Assessor’s Office Organization al Chart



The eleven positions in the Humboldt County Assessor’s Office represent ten Full Time Equivalents (FTE). The Humboldt County Assessor’s Office performs additional duties beyond the statutory and administrative duties of county assessor. The Humboldt County Assessor’s Office provides county-wide information technology services and GIS services. The Treasurer’s Office collects tax due on the secured and unsecured rolls. Maintenance of assessor parcel maps is performed in the Assessor’s Office. Other portions of the Humboldt County government provide support services to the Assessor’s Office include other elected official and the departments of Administration, Building, Comptroller, Planning and Zoning. Human resources support is provided through the County Administrator’s Office.

Humboldt County maintains a website. The property tax roll⁷⁰ is posted on the website. The Humboldt County website contains additional information on parcels, improvements, and personal property. Electronic copies of assessor parcel maps are *not* available of the Humboldt County website. Recorded deeds are *not* available on the Humboldt County website.

⁷⁰ NRS 361.0445(3) and 361.0445(4)

12.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Humboldt County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

12.3 Statistics

Statistical Analysis of the Roll

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Humboldt Assessor's Office.

# of Parcels	Acres	Land AV ⁷¹	Land TV ⁷²	Exempt Acres ⁷³
16,848	6,186,705	~\$114 million	~\$326 million	5,130,144

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Humboldt County Assessor's Office by land use code.

Figure 29 – Humboldt County Summary of Land Parcels by Land Use Code

	# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)	9,169	5,421,365.35	\$ 46,902,866
Residential Single Family (20 & 22)	3,445	6,289.78	22,718,800
Mobile Homes (23 & 26)	1,332	5,491.92	6,139,371
Multiresidential (30 - 36)	285	2,291.26	2,074,916
Commercial (40 - 44)	444	1,832.29	9,875,890
Industrial (50 - 52)	93	825.45	2,249,590
Agricultural Land (60)	1,617	718,830.04	23,033,529
Open Space (62)	3	22.83	219,894
Patented Mining Claims (63)	350	6,898.22	318,894
All Mining Property Including Mills (64)	39	16,769.97	234,984
Aggregates, Quarries, etc. (67)	17	682.61	165,690
Centrally Assessed Property (70)	54	5,404.86	2,625
Totals	16,848	6,186,704.58	113,937,049

⁷¹ AV = Assessed Value. Assessed Value is 35% of Taxable Value

⁷² TV = Taxable Value before exemptions

⁷³ Exempt acres includes US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, Church, and other property. Per the 2009-2010 Statistical Analysis of the Roll, Humboldt County reported 1,982 exempt parcels totaling 5,130,144.17 acres.

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)⁷⁴ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 30 – Humboldt County Payments in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	4,322,233	4,322,233	4,318,946	4,318,946
FS (Forest Service) acres	274,332	284,276	288,434	288,434
FWS (Fish and Wildlife Service)	371,423	371,423	371,423	371,423
Total exempt acres	4,967,988	4,977,932	4,978,803	4,978,803
% of Total County acres (6,174,662)	81%	81%	81%	81%
Based on 2000 Census				
\$ Payment in Lieu	\$957,321	\$1,517,930	\$1,623,192	\$1,641,405
\$ PILT per acre	\$0.19	\$0.30	\$0.33	\$0.33

⁷⁴ [Chapter 69, Title 31 of the United States Code.](#)

12.4 Findings and Recommendations

One finding was made for the Humboldt County Assessor's Office.

Finding #1001-HU01 – Supporting documentation for site adjustments

Criteria	NRS 361.227 allows for adjustment on individual parcels within a defined market area to adjust the values obtained in the mass appraisal analysis for specific conditions unique to a particular parcel. NRS 361.227 requires supporting documentation for any adjustments.
Condition	Adjustments are made to certain parcels without the appropriate supporting documentation of the values
Effect	Most adjustments are downward for negative influences. This generally results in under assessment.
Cause	The Humboldt County Assessor does not perform the necessary analysis to support adjustments.
Recommendation	The Assessor should establish procedures to determine the influences on particular parcels within a defined market area and to retain documentation of the adjustments.

12.5 Audit Methodology

To gain an understanding of the operations of the Humboldt County Assessor's Office, we interviewed the Assessor and the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also reviewed information available on Humboldt County's website, the Statistical Analysis of the Roll and prior office reviews. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

To evaluate the effectiveness of the Assessor's Office sales data collection processes, we traced 59 deeds randomly selected from the Humboldt County Recorder's records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. There was one exception in which a deed was not in the sales database that should have been in the sales database. This exception did not result in a finding.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%⁷⁵ with staff. We also obtained copies of any sales

⁷⁵ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

questionnaires related to the 59 deeds and reviewed other evidence of verification processes for the sales. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we listed the market areas defined by the Assessor and obtained copies of maps depicting the market areas. The sales comparison approach was used in each of the market areas. We reviewed the documentation for ten of the market areas and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We also obtained copies of maps used to plot sales data and apply the results of the mass appraisal to parcels within each market area. We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. Finding #1001-HU01 resulted from these audit procedures.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value⁷⁶ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

Description and Land Use Code	Number of Parcels Selected
Vacant (10 – 19)	32
Residential Single Family (20 & 22)	12
Residential Townhouse Condo(21,24,25)	0
Mobile Homes (23 & 26)	9
Multiresidential (30 - 36)	1
Commercial (40 – 44)	2
Industrial (50 - 52)	1
Agricultural Land (60)	6
Open Space	1
Golf Courses (various)	1
Patented Mining Claims (63)	8
All Mining Property Including Mills (64)	3
Aggregates Quarries (67)	2
Centrally Assessed Property (70)	2
Intracounty Public Utilities (71)	0
Centrally Assess local portion (72)	0
Possessory Interests	3
Leases (Oil & Gas)	0
Geothermal	0
TOTAL	83

⁷⁶ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. Parcels selected for special statutory valuations (such as agricultural land, open space land, golf courses, and patented mining claims) were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. The exception noted in Findings #1001-HU01 resulted from this audit work.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we traced two parcel maps selected from items on the Humboldt County Commission agenda through the processes to record the split and allocate values to the new parcels. We also traced one zone change from an item on the Humboldt County Commission agenda through to the Assessor's records. There were no exceptions.

To determine if the Humboldt County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the six parcels selected. We also recalculated the assessment on the six parcels selected. There were no exceptions.

To determine if the Humboldt Assessor's Office effectively determined properties eligible for the subdivision discount, we reviewed the subdivision discount excel workbook and the hard copy of developer discount information. There were no exceptions.

The Humboldt County Assessor reported that the abstraction method is only used on parcels with minor improvements such as a well and septic. To determine if the Humboldt County Assessor's Office effectively used the abstraction method, we tested one of the sales in which abstraction was used. There were no exceptions.

To determine if the Humboldt County Assessor's Office effectively used the allocation method, we reviewed the excel worksheets listing sales and the determination of allocation percentage using paired sales analysis and sale-resale analysis. There were no exceptions.

The Humboldt County Assessor represented that the Cost of Development method is not used. Our sampling showed no use of the Cost of Development method.

The Humboldt County Assessor represented that the Capitalization of Ground Rents method is not used. Our sampling showed no use of the Capitalization of Ground Rents method.

The Humboldt County Assessor represented that the Land Residual method is not used. Our sampling showed no use of the Land Residual method.

The Humboldt County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Evidence in our samples indicated annual reappraisal.

To determine if changes to the roll from actions of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate action by the Board of Commissioners. To determine if parcel maps or subdivision maps were changed in the assessor records, we traced two changes through the system. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Humboldt County Assessor. On December 27, 2011, we met with the Humboldt County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report include:

Terry Rubald, Chief Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

12.6 Assessor's Response

HUMBOLDT COUNTY ASSESSOR

JEFF JOHNSON • ASSESSOR

ASSESSOR@HONV.US

January 6, 2011

Department of Taxation
Division of Assessment Standards
1550 East College Parkway
Carson City, NV 89706

Dear DOAS:

We accept the finding submitted in the land audit. We recognize there are areas that can use some improvement and accept the challenge. Our desire is to have data that is as reliable and as accurate as possible. To achieve that, we have some corrections to make and some additional work that must be done.

We are in the process of creating a binder to use as a reference for all adjustments we are making along with the verification or support for those adjustments. For a number of reasons, this will take a substantial amount of time to complete. Among some of the considerations is the annual workload of revaluing everything every year, and the lack of data to make determinations. We have so little data to perform good analysis for determining adjustments that it makes the job not only harder, but it takes more time. I would anticipate 3 to 5 years to complete the research and analysis for all adjustments and put them in a reference binder. In fact, I expect to find it necessary to continually update our analysis. With data being fluid, results from analysis of the data will not likely remain stagnant.

Since assessors all over Nevada are under fire as property tax is being carefully scrutinized, it is good to have a third party audit our records and our processes to determine if we are doing the best possible job for our taxpayers. We appreciate the recommendations and the verification regarding our responsibilities ensuring compliance with the Nevada Revised Statutes and the Nevada Administrative Code.

We will make every effort to comply with the findings and welcome any other comments on areas that need improving. Thank you for taking the time to explain the audit to us and for your insights.

Respectfully submitted,

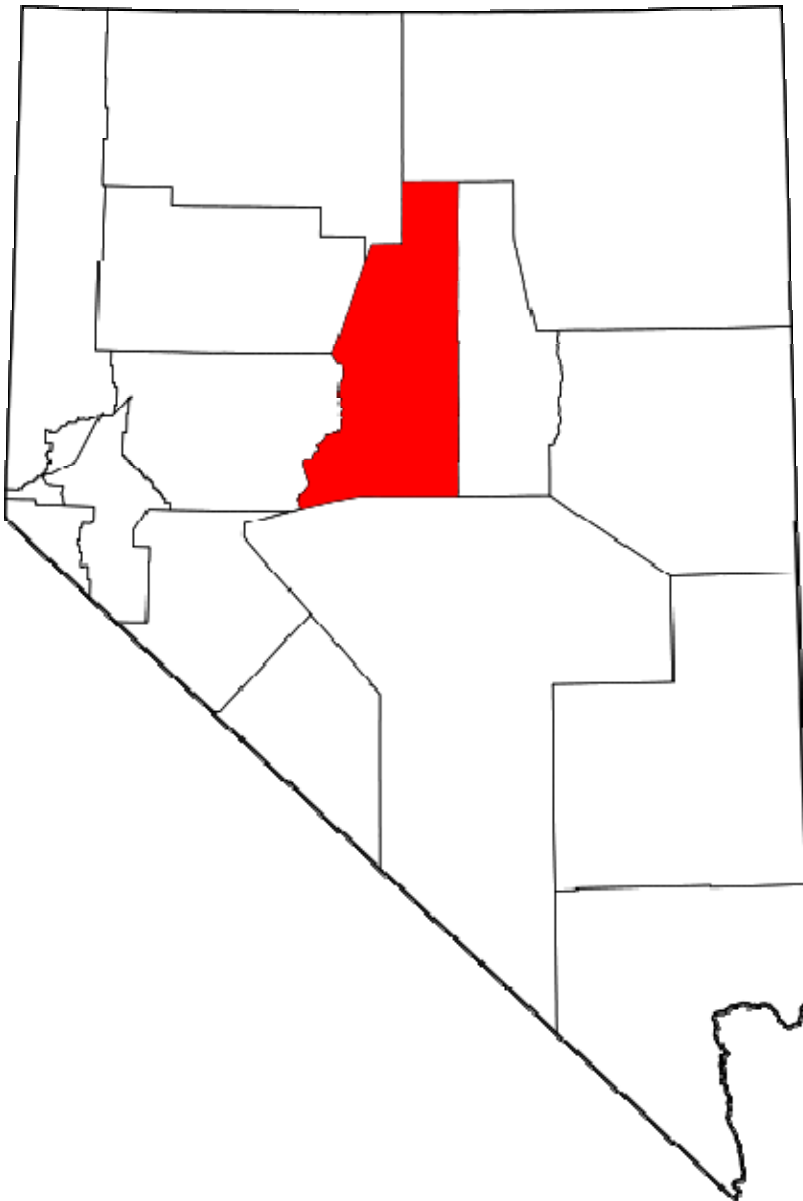


Jeff Johnson
Humboldt County Assessor

Humboldt County Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
#1001-HU01	Support for site adjustments	X	

13 Lander County

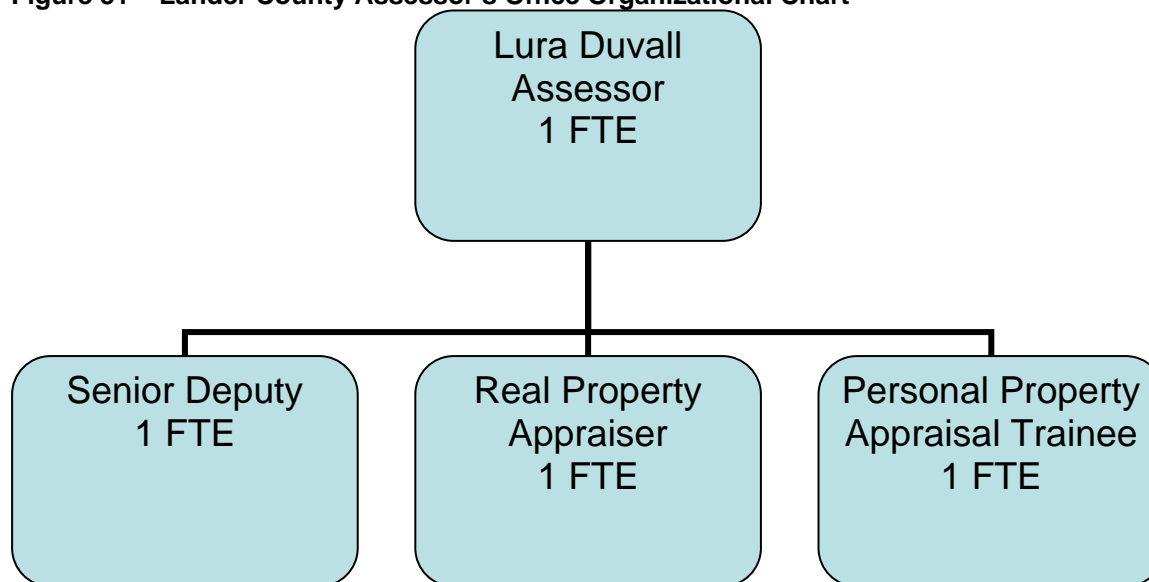


Map Source: www.wikipedia.org

13.1 Organizational Structure

The local governing board of Lander County is composed of five elected members of the Lander County Board of Commissioners. All of the commissioners serve four-year staggered terms. The Board selects a chair and vice-chair from among the five elected Commissioners. The Lander County Assessor is also elected to four-year terms. Other elected officials with roles in the property tax system include the County Clerk, District Attorney, Recorder, Sheriff and Treasurer. The organization chart for the Lander County Assessor's Office follows.

Figure 31 – Lander County Assessor's Office Organizational Chart



The four positions in the Lander County Assessor's Office represent four Full Time Equivalents (FTE). The Lander County Assessor's Office does not perform additional duties⁷⁷ beyond the statutory and administrative duties of county assessor, except that the Lander County Assessor's Office coordinates certain county-wide information technology services. The Treasurer's Office collects tax due on the secured and unsecured rolls. Maintenance of assessor parcel maps is performed outside of the Assessor's Office through a contract for GIS and mapping services. Other portions of the Lander County government provide support services to the Assessor's Office include other elected official and the departments of Administration, Building, Finance, Human Resources, Planning and Zoning.

Lander County maintains a website. The property tax roll⁷⁸ is posted on the website. The Lander County website contains additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. The Lander County website contains additional maps such as flood zone, zoning, and patented mining claim index. Subsequent to completion of the audit, recorded deeds became available on the Lander County website.

13.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Lander County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

⁷⁷ For example, the Lander County Assessor's Office does not operate a Department of Motor Vehicles Branch office.

⁷⁸ NRS 361.0445(3) and 361.0445(4)

13.3 Statistics

Statistical Analysis of the Roll

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Lander County Assessor's Office.

# of Parcels	Acres	Land AV ⁷⁹	Land TV ⁸⁰	Exempt Acres ⁸¹
7,392	3,342,489	~\$86 million	~\$246 million	2,806,615

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Lander County Assessor's Office by land use code.

Figure 32 – Lander County Summary of Land Parcels by Land Use Code

	# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)	3,420	2,913,782.26	\$ 68,479,626
Residential Single Family (20 & 22)	1,012	2,623.26	3,929,140
Residential Townhouses/Condos (21, 24, 25)	33	161.88	1,128
Mobile Homes (23 & 26)	732	2,470.24	2,598,689
Multiresidential (30 - 36)	140	1,512.32	861,334
Commercial (40 - 44)	205	873.17	1,974,449
Industrial (50 - 52)	45	2,971.71	531,318
Agricultural Land (60)	940	415,601.20	7,300,943
Patented Mining Claims (63)	841	1,422.41	334,158
All Mining Property Including Mills (64)	9	22.95	20,880
Centrally Assessed Property (70)	13	1,025.64	26,491
Centrally Assessed Local Portion (72)	2	22.28	10,850
Totals	7,392	3,342,489.32	86,069,006

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)⁸² are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the

⁷⁹ AV = Assessed Value. Assessed value is 35% of Taxable Value

⁸⁰ TV = Taxable Value before Exemptions

⁸¹ Exempt acreage includes US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, Church, and other property. Per the 2009-2010 Statistical Analysis of the Roll, the Lander County Assessor reported 2,806,615.06 exempt acres on 892 parcels.

⁸² [Chapter 69, Title 31 of the United States Code](#).

payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 33 – Lander County Payments in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	3,007,437	3,007,437	3,007,437	3,007,357
FS (Forest Service) acres	296,100	296,093	296,093	296,093
BOR (Bureau of Reclamation) acres	29,884	29,884	29,884	29,884
Total exempt acres	3,333,421	3,333,414	3,333,414	3,333,334
% of Total County acres (3,515,923)	95%	95%	95%	95%
Based on 2000 Census				
\$ Payment in Lieu	\$484,028	\$767,500	\$787,234	\$806,114
\$ PILT per acre	\$0.15	\$0.23	\$0.24	\$0.24

13.4 Findings and Recommendations

Three findings were made. Each finding is discussed in more detail on the following pages.

Finding #1001-LA01 – Valuation of the surface of patented mining claims

Criteria	Article 10, Section 5 of the Nevada Constitution, NRS 362.030 through 362.095, and NAC 362.410 outline the responsibilities of the county assessor for assessment of the surface of patented mines and mining claims, depending on the use of the land and whether or not an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes per NRS 362.050 is filed with the County Recorder.
Condition	The County Assessor assessed all patented mining claims at \$500 assessed value per claim, pursuant to NAC 362.410, however, no evidence of the “greater of” part was of the test in NAC 362.410 was documented. The Lander County Assessor reports that processes are in place to comply with exemptions available pursuant to NAC 362.050. Documentation of the use and other attributes of the surface of each mining claim is not available in the assessor’s records. Documentation of location and area is available (land area of each mining claim has been reconciled with overlapping claims) and recorded in the assessor’s records.
Effect	Some mining claims may qualify for exemption from taxation if an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes form were filed and processed. The process of placing \$500 per claim assessed value on the surface of claims likely results in under-assessment and under taxation. For claims used for purposes other than mining or agriculture, there is likely under assessment and under taxation.
Cause	Processes are not in place to systematically evaluate (1) the use, location, area, and other attributes of the surface of patented mining claims, (2) the valuation pursuant to NAC 362.410 or NRS 361.227, and (3) the exemption, if applicable, per Article 10, Section 5 of the Nevada Constitution as further outlined in NRS 362.050.
Recommendation	<p>The Department recommends that the County Assessor develop and implement policies and procedures to:</p> <ol style="list-style-type: none"> 1. Document the use, location, area, and other attributes of the surface of each mining claim. 2. Provide Affidavit of Labor on Patented Mining Claims for Exemption of Taxes forms to owners and process forms to provide exemptions. 3. Determine if patented mining claims are not longer considered patented mining claims for purposes of taxation due to change of use or subsequent parceling. 4. Value the surface ownership of the patented mining claim and appropriately apply NAC 362.410, if applicable. <p>Lander County has already performed a significant amount of the steps necessary. The Department recognizes that resources may not be available for immediate compliance.</p>

Finding #1001-LA02 – Parceling and mapping of patented mining claims

Criteria	<p>Pursuant to NRS 517.213(1), “The county recorder shall include all patented mines and mining claims in the county on the county map of mining claims in a manner which clearly distinguishes the patented mines and mining claims from the unpatented claims.”</p> <p>Pursuant to NRS 517.213(3) “A county recorder who records a map pursuant to this section shall, within 7 working days after the county recorder records the map, provide to the county assessor, at no charge, (a) a duplicate copy of the map and any supporting documents or (b) access to the digital map and any digital supporting documents. The map and supporting documents must be in a form that is acceptable to the county recorder and the county assessor.”</p> <p>Pursuant to NRS 361.189(1)(a) “All land in this State must be legally described for tax purposes by parcel number”</p> <p>Pursuant to NRS 361.189(1)(b) “Each county shall prepare and possess a complete set of maps drawn in accordance with such parceling system for all land in the County.”</p> <p>Pursuant to NRS 361.890(3) “The maps must readily disclose precisely what land is covered by any particular parcel number in the current fiscal year.”</p> <p>Pursuant to NRS 361.220, “Land may be described by metes and bounds, or other description sufficient to identify it, giving the locality and an estimate of the number of acres.”</p>
Condition	The Lander County Assessor assigns parcel numbers to patented mining claims outside of the regular parcel system. Assessor Parcel Maps show the relationship of surface ownership of patented mining claims to other surface ownership, including reconciliation of overlapping claims, even though parcel numbers are not referenced. Area and acreage are shown on the “mining claim overlay” included as additional information.
Effect	Although the “mining claim overlay” exists, the Assessor Parcel Maps do not readily disclose the location of the surface ownership or precisely what land is covered by a particular parcel number. The lack of integration of patented mining claims with other land ownership makes accurate valuation of the surface of patented mining claims difficult.
Cause	The process of reconciling the surface ownership of each patented mining claims has been undertaken and is shown in the “mining claim overlay” as additional information. The process of integrating patenting mining claims into parcel maps has not been undertaken.
Recommendation	Incorporate the “mining claim overlay” information into the regular parcel numbering system and update the parcel database accordingly.

Finding #1001-LA03 – Supporting documentation for site adjustments

Criteria	NRS 361.227 allows for adjustment on individual parcels within a defined market area to adjust the values obtained in the mass appraisal analysis for specific conditions unique to a particular parcel. NRS 361.227 requires supporting documentation for any adjustments.
Condition	Adjustments are made to certain parcels without the appropriate supporting documentation of the values
Effect	Most adjustments are downward for negative influences. This generally results in under assessment.
Cause	The Lander County Assessor does not perform the necessary analysis to support adjustments.
Recommendation	The Assessor should establish procedures to determine the influences on particular parcels within a defined market area and to retain documentation of the adjustments.

13.5 Audit Methodology

To gain an understanding of the operations of the Lander County Assessor's Office, we interviewed the Assessor and the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also reviewed information available on Lander County's website, the Statistical Analysis of the Roll and prior office reviews. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

During the audit work, a problem occurred with Lander County's computer systems, apparently as a result of multiple information technology contractors changing settings without communicating with each other. This was noted as an internal control weakness. The observed weakness did not result in a finding. The Department suggests that Lander County consider the feasibility of a centralized information technology function to strengthen system controls and to possibly avoid down time, such as the down time observed during the audit field work.

To evaluate the effectiveness of the Assessor's Office sales data collection processes, we traced 59 deeds randomly selected from the Lander County Recorder's records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. There were no exceptions.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%⁸³ with staff. We also obtained copies of any sales

⁸³ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

questionnaires related to the 59 deeds and reviewed other evidence of verification processes for the sales. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we listed the market areas defined by the Assessor and obtained copies of maps depicting the market areas. The sales comparison approach was used in each of the market areas. We reviewed the documentation for thirteen market areas and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. Finding #1001-LA03 resulted from these audit procedures.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value⁸⁴ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	37
Residential Single Family (20 & 22)	9
Residential Townhouse Condo(21,24,25)	0
Mobile Homes (23 & 26)	9
Multiresidential (30 - 36)	3
Commercial (40 – 44)	2
Industrial (50 - 52)	2
Agricultural Land (60)	8
Open Space	0
Golf Courses (various)	1
Patented Mining Claims (63)	7
All Mining Property Including Mills (64)	9
Aggregates Quarries (67)	0
Centrally Assessed Property (70)	13
Intracounty Public Utilities (71)	0
Centrally Assess local portion (72)	0
Possessory Interests	0
Leases (Oil & Gas)	0
Geothermal	0
TOTAL	100

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would

⁸⁴ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. Parcels selected for special statutory valuations (such as agricultural land, open space land, golf courses, and patented mining claims) were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. The exceptions noted in Findings # 1001-LA01, 1001-LA02 and 1001-LA03 resulted from this audit work.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we traced two parcel maps selected from items on the Lander County Commission agenda through the processes to record the split and allocate values to the new parcels. We also traced one zone change from an item on the Lander County Commission agenda through to the Assessor's records. There were no exceptions.

To determine if the Lander County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the eight parcels selected. We also recalculated the assessment on the eight parcels selected. There were no exceptions.

To determine if the Lander Assessor's Office effectively determined properties eligible for the subdivision discount, we reviewed the query that the Assessor runs annually to determine eligibility and traced two items that changed. There were not exceptions.

The Lander County Assessor reported that the abstraction method is only used on parcels with minor improvements such as a well and septic. To determine if the Lander County Assessor's Office effectively used the abstraction method, we test two of the sales in which abstraction was used. There were no exceptions.

The Lander County Assessor reported that the allocation method is not used. We did not encounter use of the allocation method in our sampling.

The Lander County Assessor represented that the Cost of Development method is not used. Our sampling showed no use of the Cost of Development method.

The Lander County Assessor represented that the Capitalization of Ground Rents method is not used. Our sampling showed no use of the Capitalization of Ground Rents method.

The Lander County Assessor represented that the Land Residual method is not used. Our sampling showed no use of the Land Residual method.

The Lander County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). The parcels sampled were reappraised annually.

To determine if changes to the roll from actions of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate action by the Board of Commissioners. To determine if parcel maps or subdivision maps were changed in the assessor records, we traced two changes through the system. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Lander County Assessor. On January 3, 2012, we met with the Lander County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report include:

Terry Rubald, Chief Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

13.6 Assessor's Response

LURA DUVALL
Lander County Assessor
(775) 635-2610 • Fax: (775) 635-5520
assessor@landercountynv.org

February 8, 2012

Bonnie Duke
Department of Taxation
Division of Assessment Standards
1550 East College Parkway
Carson City, NV 89706

Dear Bonnie:

I acknowledge and accept the findings of the Land Valuation Performance Audit conducted and discussed via telephone conference on January 4, 2012.

In response to your recommendations/findings, I submit the following:

We will be developing a Land Valuation Manual, which will include policies, procedures, land valuation studies, data collection and detailed documentation.

The current valuation of patented mining claims is insufficient and needs revisions over the upcoming year. We have already begun tracking and analyzing sales data of patented mining claims and will incorporate valuation techniques into the annual land valuation process.

The mapping/plotting of patented mining claims needs revisions; however, this process is quite extensive and may take 3-4 years to complete. At the present time the Patented Mining Claims are plotted on a map page, however, the claims need to be incorporated into the existing plat maps for better identification and to comply with current mapping standards. We are in the process of finalizing a mapping contract with the Carson City Assessor's Office. This contract includes updating and remapping patented mining claims.

It is my goal to comply with the Department's recommendations/findings, to develop and maintain documented land valuation policies and procedures, and to continue updating the areas that need improvement.

Sincerely,

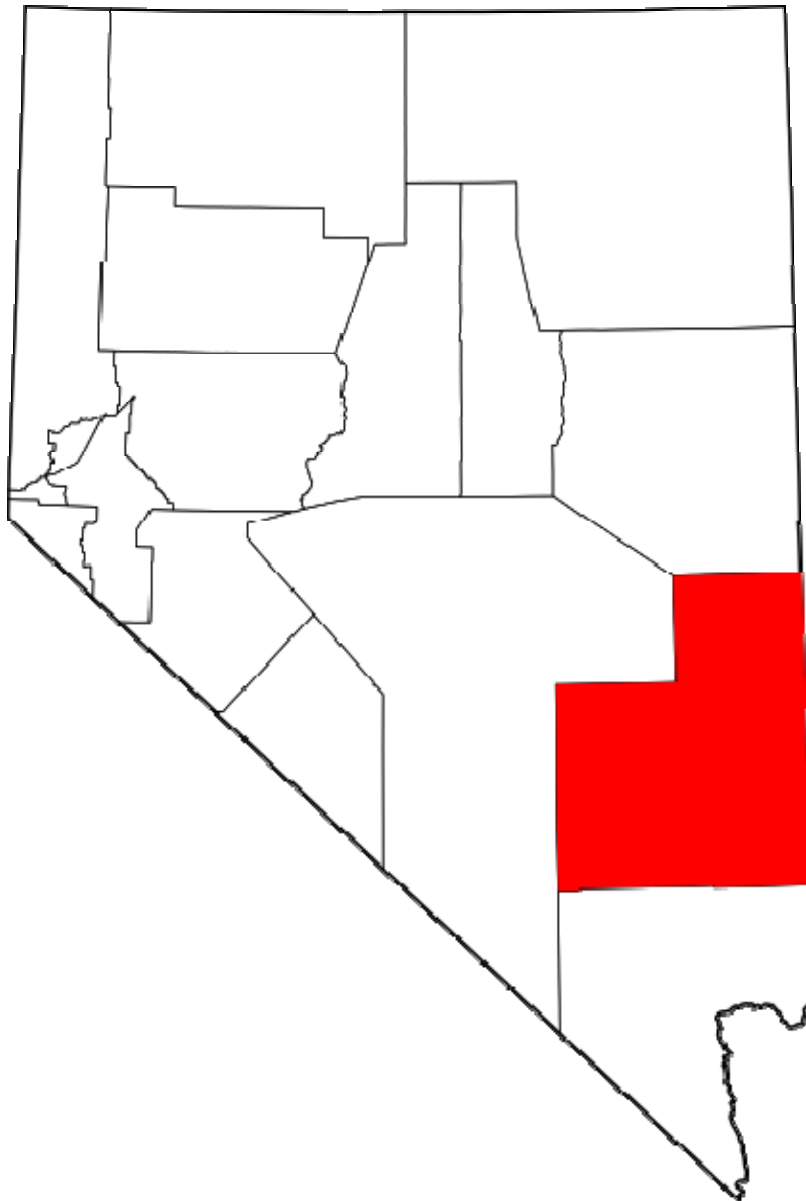


Lura Duvall
Lander County Assessor

Lander County Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
#1001-LA01	Patented Mining Claim Valuation	X	
#1001-LA02	Patented Mining Claim Mapping	X	
#1001-LA03	Site Adjustment Support	X	

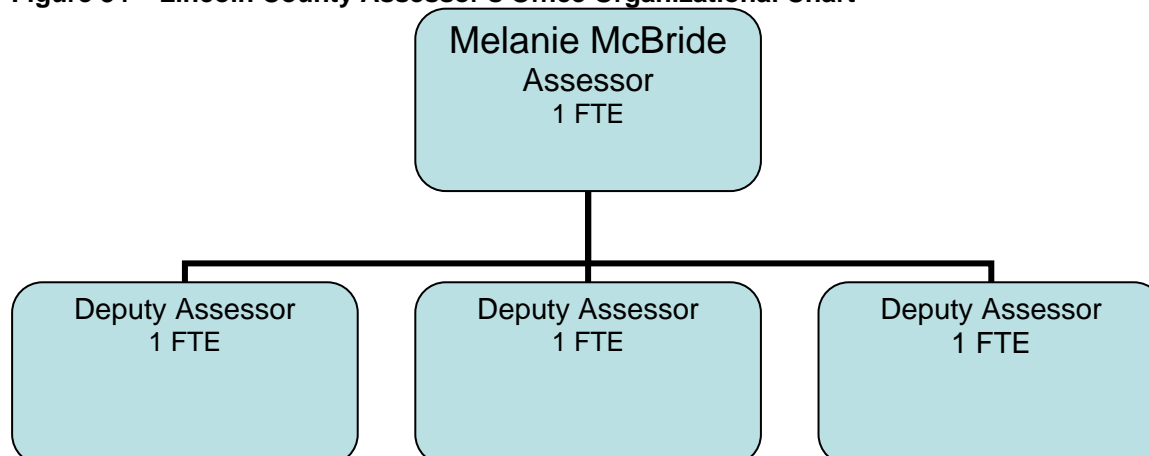
14 Lincoln County



Map Source: www.wikipedia.org

14.1 Organizational Structure

The local governing body is composed of three elected members of the Board of Commissioners. The Board selects a Chair and Vice-Chair from among the three members. All of the members of the Board serve four-year staggered terms. The County Assessor is also elected to four-year terms. Other elected officials with statutory roles in the property tax system include Auditor/Recorder, Clerk, District Attorney, Sheriff, and Treasurer. The organization of the Lincoln County Assessor's Office is shown in the following chart.

Figure 34 – Lincoln County Assessor's Office Organizational Chart

The four positions in the Lincoln County Assessor's Office represent four Full Time Equivalents (FTE). The Lincoln County Assessor's Office operates a branch office of the Department of Motor vehicles in addition to the statutory and administrative duties of County Assessor. Maintenance of Assessor Parcel Maps is currently performed manually in paper format versus Geographic Information Systems. The County Treasurer collects taxes due on the secured roll. The Assessor's Office collects taxes due on the unsecured roll. Other portions of county government that provide support services to the Assessor's Office include Administration, County Manager, Building and Safety, Planning, and Human Resources.

Lincoln County maintains a website. The property tax roll⁸⁵ is posted in the website. The Lincoln County website does *not* contain additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. Recorded deeds are not available on the Lincoln County website.

14.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Lincoln County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

14.3 Statistics

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Lincoln County Assessor's Office.

# of Parcels	Acres	Land AV ⁸⁶	Land TV ⁸⁷	Exempt Acres ⁸⁸
5,072	6,269,827	~\$92 million	~\$263 million	6,138,855

⁸⁵ NRS 361.0445(3) and 361.0445(4)

⁸⁶ AV = Assessed Value. Assessed Value is 35% of Taxable Value

⁸⁷ TV = Taxable Value before Exemptions

⁸⁸ Exempt acres include In the 2009-2010 Statistical Analysis of the Roll, Lincoln County reported 511 exempt parcels totaling 6,138,855.20 acres.

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Lincoln County Assessor's Office by land use code.

Figure 35 – Lincoln County Summary of Parcels by Land Use Code

	# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)	2,282	6,184,140.39	\$ 58,779,992
Residential Single Family (20 & 22)	1,319	4,355.75	10,673,939
Residential Townhouses/Condos (21, 24, 25)	1	6.15	7,250
Mobile Homes (23 & 26)	399	1,329.45	3,486,093
Multiresidential (30 - 36)	114	1,013.33	1,338,726
Commercial (40 - 44)	186	1,902.15	1,896,734
Industrial (50 - 52)	33	2,141.98	1,857,087
Agricultural Land (60)	571	56,345.44	2,828,842
Open Space (62)	18	7,410.43	943,424
Patented Mining Claims (63)	82	3,312.43	401,244
All Mining Property Including Mills (64)	10	89.20	77,892
Aggregates, Quarries, etc. (67)	1	5.00	24,325
Centrally Assessed Property (70)	28	16.73	29,591
Intracounty Public Utilities (71)	28	7,758.22	10,529,855
Totals	5,072	6,269,826.65	\$ 92,874,994

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)⁸⁹ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 36 – Lincoln County Payments in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	5,615,527	5,615,527	5,615,138	5,615,138
FS (Forest Service) acres	30,672	30,672	30,672	30,672
COE (Corps of Engineers) acres	451	451	451	451
FWS (Fish and Wildlife Service) acres	764,302	764,302	764,303	764,303
Total exempt acres	6,410,952	6,410,952	6,410,564	6,410,564
% of Total County acres (6,805,510)	94%	94%	94%	94%
Based on 2000 Census				
\$ Payment in Lieu	\$425,074	\$727,283	\$749,290	\$772,903
\$ PILT per acre	\$0.07	\$0.11	\$0.12	\$0.12

⁸⁹ [Chapter 69, Title 31 of the United States Code.](#)

14.4 Findings and Recommendations

Seven findings were made in this Land Valuation Performance Audit. Each finding is discussed in more detail on the following pages.

Finding #1001-LN01 – Valuation of the surface of patented mining claims

Criteria	Article 10, Section 5 of the Nevada Constitution, NRS 362.030 through 362.095, and NAC 362.410 outline the responsibilities of the county assessor for assessment of the surface of patented mines and mining claims, depending on the use of the land and whether or not an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes per NRS 362.050 is filed with the County Recorder.
Condition	The County Assessor assessed all patented mining claims at \$500 assessed value per claim, pursuant to NAC 362.410, however, no evidence of the “greater of” part was of the test in NAC 362.410 was documented. The Assessor reports that processes are in place to comply with exclusions available pursuant to NAC 362.050, but owners rarely file. No filings occurred during the period covered by the audit. Documentation of the use, location, area, and other attributes of the surface of each mining claim is not available in the assessor's records. Documentation is necessary to make the appropriate decisions in applying statutes and regulations. The land area of each mining claim is not reconciled with overlapping claims and recorded in the assessor's records.
Effect	Some mining claims may qualify for exemption from taxation if an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes form was filed and processed. This may have resulted in over taxation of these lands. The process of placing \$500 per claim assessed value on the surface of claims likely results in under-assessment and under taxation. For claims used for purposes other than mining or agriculture, there is likely under assessment and under taxation.
Cause	Processes are not in place to systematically evaluate (1) the use, location, area, and other attributes of the surface of patented mining claims, (2) the valuation pursuant to NAC 362.410 or NRS 361.227, and (3) the exception, if applicable, per Article 10, Section 5 of the Nevada Constitution as further outlined in NRS 362.050.
Recommendation	<p>The Department recommends that the County Assessor develop and implement policies and procedures to:</p> <ol style="list-style-type: none"> 1. Document the use, location, area, and other attributes of the surface of each mining claim. 2. Provide Affidavit of Labor on Patented Mining Claims for Exemption of Taxes forms to owners and process forms to provide exemptions. 3. Determine the area for each mining claim and record the area in the records for each patented mining claim, including reconciliation of overlapping claims. 4. Determine if patented mining claims are no longer considered patented mining claims for purposes of taxation due to changes of use or subsequent parceling. 5. Value the surface ownership of the patented mining claim and appropriately apply NAC 362.410, if applicable. <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance.</p>

Finding #1001-LN02 – Parceling and mapping of patented mining claims

Criteria	<p>Pursuant to NRS 517.213(1), “The county recorder shall include all patented mines and mining claims in the county on the county map of mining claims in a manner which clearly distinguishes the patented mines and mining claims from the unpatented claims.”</p> <p>Pursuant to NRS 517.213(3) “A county recorder who records a map pursuant to this section shall, within 7 working days after the county recorder records the map, provide to the county assessor, at no charge, (a) a duplicate copy of the map and any supporting documents or (b) access to the digital map and any digital supporting documents. The map and supporting documents must be in a form that is acceptable to the county recorder and the county assessor.”</p> <p>Pursuant to NRS 361.189(1)(a) “All land in this State must be legally described for tax purposes by parcel number”</p> <p>Pursuant to NRS 361.189(1)(b) “Each county shall prepare and possess a complete set of maps drawn in accordance with such parceling system for all land in the County.”</p> <p>Pursuant to NRS 361.890(3) “The maps must readily disclose precisely what land is covered by any particular parcel number in the current fiscal year.”</p> <p>Pursuant to NRS 361.220, “Land may be described by metes and bounds, or other description sufficient to identify it, giving the locality and an estimate of the number of acres.”</p>
Condition	The Lincoln County Assessor assigns parcel numbers to patented mining claims outside of the regular parcel system. Assessor Parcel Maps do not show the relationship of surface ownership of patented mining claims to other surface ownership, including reconciliation of overlapping claims.
Effect	The Assessor Parcel Maps do not readily disclose the location of the surface ownership or precisely what land is covered by a particular parcel number. The lack of integration of patented mining claims with other land ownership makes accurate valuation of the surface of patented mining claims difficult.
Cause	The process of reconciling the surface ownership of each patented mining claims has not been undertaken. The transfer of this information in to the parcel system has not been undertaken. The process of integrating patenting mining claims into parcel maps has not been undertaken.
Recommendation	<p>Identify and map the surface of patented mining claims by reconciling surface ownership of overlapping claims and incorporate the results into the regular parcel numbering system, including estimates of actual surface acreage owned. Update the parcel database accordingly.</p> <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance. The Department intends to facilitate efforts toward compliance, if possible.</p>

Finding #1001-LN03 – Process to “post” values from mass appraisal analysis to individual parcels in the defined market area

Criteria	NRS 361.227 requires the Lincoln County Assessor to determine the taxable value of properties using mass appraisal techniques and to “post” these values to individual parcels within the given market area
Condition	Testing indicated that the values on individual parcels within a given market area did not match the values determined in the mass appraisal analysis.
Effect	The resulting valuations on certain parcels were not correct. In general, this resulted in under assessment, however, either under assessment or over assessment might occur do to the lack of appropriate procedures to “post” the values.
Cause	The valuation process is largely manual and the update is entered into the appraisal/billing computerized system manually.
Recommendation	Establish procedures to assign values to each parcel using an excel spreadsheet and utilize the procedures available in the ADS system to upload the values into the computerized system.

Finding #1001-LN04 – Supporting documentation for site adjustments

Criteria	NRS 361.227 allows for adjustment on individual parcels within a defined market area to adjust the values obtained in the mass appraisal analysis for specific conditions unique to a particular parcel. NRS 361.227 requires supporting documentation for any adjustments.
Condition	Adjustments are made to certain parcels without the appropriate supporting documentation of the values
Effect	Most adjustments are downward for negative influences. This generally results in under assessment.
Cause	The Lincoln County Assessor does not perform the necessary analysis to support adjustments.
Recommendation	The Assessor should establish procedures to determine the influences on particular parcels within a defined market area and to retain documentation of the adjustments.

Finding #1001-LN05 – Improper Valuation of Possessory Interest Per Board of County Commissioners Agreement

Criteria	NRS 361.445 states that the assessments made by the county assessor and by the Department, as equalized according to law, shall be the only basis for property taxation by any city, town, school district, road district in that county.
Condition	The Lincoln County Board of County Commissioners directed that the valuation for this parcel be adjusted to an artificial amount. The Board does not have authority to direct parcel valuations.
Effect	In adjusting the value, the other Units of Local Government within the county did not receive the tax revenue due to them under the statutes and therefore, the other units of local government effectively also “pay” the consideration in the agreement between the County and the contractor.
Cause	The Board of County Commissioners and County Assessor may not understand the ramifications of using the property tax system as a bargaining chip and the impact on other units of local government.
Recommendation	Lincoln County has already taken steps to correct this condition. The Lincoln County Assessor should value the land and improvements on the land using standard valuation procedures. Any agreement between Lincoln County and the contractor would have to be dealt with outside of the property tax system.

Finding #1001-LN06 – Certain land not included in parcel system

Criteria	NRS 361.189(1)(a) requires the Lincoln County Assessor to account for all the land in Lincoln County through the parcel system. NRS 361.189(1)(b) requires the Lincoln County Assessor to prepare and possess a complete set of maps for all parcels in Lincoln County.
Condition	The Lincoln County Assessor has not assigned parcel numbers to all land in Lincoln County. For the most part, land exempt from taxation is not listed or mapped.
Effect	The parcel maps are incomplete and the statistical analysis of the roll is incomplete.
Cause	The County Assessor had previously never implemented any project to list, value and exempt, if appropriate, these lands.
Recommendation	The Lincoln County Assessor's Office has already taken steps to implement this recommendation. The County Assessor should use the BLM website www.geocommunicator.gov and other sources of data to obtain information such as acreage, township/range and ownership for the many large tracts of federal or state land in Lincoln County. The County Assessor should assign parcel numbers to each area. The areas should then be incorporated into the Assessor Parcel Maps and into the database (Advanced Data Systems) used for valuation and billing. Values should be assigned to exempt land, regardless of the exemption. One source of data that may be helpful is the BLM fair value of leased land in BLM's Right-of-Way and lease programs that contain estimated value of lands for each county in the United States. According to this system, Lincoln County classified as rent zone 4 indicating a land value of \$1,500 per acre. The BLM fair market value system was part of the Federal Land Policy and Management Act of 1976 (FLPMA),

Finding #1001-LN07 – Information not maintained on the Internet

Criteria	NRS 361.0445(3) states that “Each county assessor and county treasurer shall, to the extent feasible, provide on a website or other Internet site, if any, that is operated or administered by or on behalf of the county or the county assessor or county treasurer, information In a form that is easily understood and readily accessible to the public.” NRS 361.0445(4) states that “The Department and each county shall update and upgrade the websites or other Internet sites maintained pursuant to this section to the extent necessary to improve the quantity, quality and accessibility of the information provided to the public on the Internet.” This requirement was added to the statutes in 2005 through AB128.
Condition	Lincoln County has a website with limited information about property taxes.
Effect	The public cannot readily get information about land parcels and other information from the Lincoln County site.
Cause	Funds have not been appropriated to provide the information on the website.
Recommendation	Lincoln County should consider appropriating funds from the Assessor Technology Fund to provide additional online access to information similar to the systems used by other ADS customers.

14.5 Audit Methodology

To gain an understanding of the operations of the Lincoln County Assessor’s Office, we interviewed the Assessor’s Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also reviewed information available on the Lincoln County website, the Statistical Analysis of the Roll, and prior office reviews. We documented and assessed the internal controls in the Assessor’s Office over land valuation practices and procedures.

To evaluate the effectiveness of the Assessor’s Office sales data collection processes, we traced 59 deeds randomly selected from the Lincoln County Recorder’s records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. There were no exceptions.

To determine the effectiveness of the Assessor’s Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%⁹⁰ with staff. We also obtained copies of any sales questionnaires related to the 59 deeds and reviewed other evidence of verification processes for the sales. There were no exceptions.

To evaluate whether the market strata used by the Assessor’s Office were appropriate, we reviewed all of the 16 market areas defined by the Assessor. The sales comparison

⁹⁰ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

approach was used in each of the market areas. We reviewed, in detail, the documentation for 16 market areas and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. Findings # 1001-LN01, 1001-LN02, and 1001-LN04 resulted from these audit procedures.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value⁹¹ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	27
Residential Single Family (20 & 22)	15
Residential Townhouse Condo(21,24,25)	1
Mobile Homes (23 & 26)	5
Multiresidential (30 - 36)	1
Commercial (40 – 44)	2
Industrial (50 – 52)	2
Agricultural Land (60)	6
Open Space	0
Golf Courses (various)	0
Patented Mining Claims (63)	1
All Mining Property Including Mills (64)	1
Aggregates Quarries (67)	1
Centrally Assessed Property (70)	28
Intracounty Public Utilities (71)	0
Centrally Assess local portion (72)	0
Possessory Interests	2
Leases (Oil & Gas)	2
Geothermal	0
TOTAL	94

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space land, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any

⁹¹ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. The exceptions noted in Findings # 1001-LN01, 1001-LN02, 1001-LN03, 1001-LN04, and 1001-LN05 resulted from this audit work.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we traced two parcel maps selected from items on the Lincoln County Commission agenda through the processes to record the split and allocate values to the new parcels. There were no exceptions.

To determine if the Lincoln County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the six parcels selected. We also recalculated the assessment on the six parcels selected. There were no exceptions.

To determine if the Lincoln County Assessor's Office effectively determined properties eligible for the subdivision discount, we interviewed the Assessor regarding developments that may qualify. The Assessor reported only one possible subdivision but that the subdivision did not qualify due to less than 10 parcels owned by the developer. We reviewed the parcels in this subdivision. There were no exceptions.

The Lincoln County Assessor reported that the abstraction method is not used. We did not encounter use of the abstraction method in any of the parcels sampled.

The Lincoln County Assessor reported that the allocation method is not used. We did not encounter use of the allocation method in any of the parcels sampled.

The Lincoln County Assessor reported that the Cost of Development method is not used. We did not encounter use of the Cost of Development method in any of the parcels sampled.

The Lincoln County Assessor reported that the Capitalization of Ground Rents method is not used. We did not encounter use of the Capitalization of Ground Rents method in any of the parcels sampled.

The Lincoln County Assessor reported that the Land Residual method is not used. We did not encounter use of the Land Residual method in any of the parcels sampled.

The Lincoln County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling of parcels indicated that land was reappraised.

To determine if changes to the roll from actions of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after

closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate action by the Board of Commissioners. To determine if parcel maps or subdivision maps were changed in the assessor records, we traced two changes through the system. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Lincoln County Assessor. On January 4, 2012 we met with the Lincoln County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report included:

Terry Rubald, Chief-Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

14.6 Assessor's Response

RE: Response letter to land valuation audit

Page 1 of 1

RE: Response letter to land valuation audit

Melanie McBride [mmcbride@lincolnnv.com]

Sent: Tuesday, February 07, 2012 9:39 AM

To: Bonnie Duke

Finding #1001-LN01 & 02

We do not have mining claims mapped. DOAS suggested that we use the same pilot program Esmeralda was using to map their mining claims. Our GIS mapper is not "owned" by our county. Michael Baker data created our layers in our GIS system and Lincoln County agreed not to sell or give out their information. We have tried to get approval from our County Commission to purchase the data, but with slim funds, it won't happen this year. We welcome help from the college students when we own our GIS information. Valuation of the claims cannot happen without the discovery and identification of overlapping claims first. Hopefully our County Commission will consider the purchase of the GIS program vital and provide the funds for the purchase.

Finding #1001-LN03

We will begin posting land values in this years' reappraisal.

Finding #1001-LN04

We will begin creating a file that support our adjustments.

Findings #1001-LN05

We have set up a meeting and tour of the Mesquite Landfill at the end of February, for the purpose of identifying and appraising the Virgin Valley Disposals' possessory interest.

Finding #1001-LN06

We have all exempt land in our system.

Finding #1001-LN07

We purchased the ADS internet program last year (\$12,000). We are experiencing difficulty getting the "permissions" needed to get the program "up and running". Hopefully this will happen soon.

From: Bonnie Duke [mailto:BDUKE@tax.state.nv.us]

Sent: Monday, February 06, 2012 4:04 PM

To: Melanie McBride (mmcbride@lincolnnv.com)

Subject: Response letter to land valuation audit

Hi

I am finalizing the land valuation audit report. I do not have your response letter to the report yet. I would appreciate your response letter as soon as possible so I can finalize the report for the tax commission.

If you sent your response letter and I missed it, please let me know and I will track it down.

Thanks

Bonnie Duke CPA

Auditor II

Nevada Department of Taxation, Division of Assessment Standards

1550 College Parkway

Carson City NV 89706

(775)684-2158

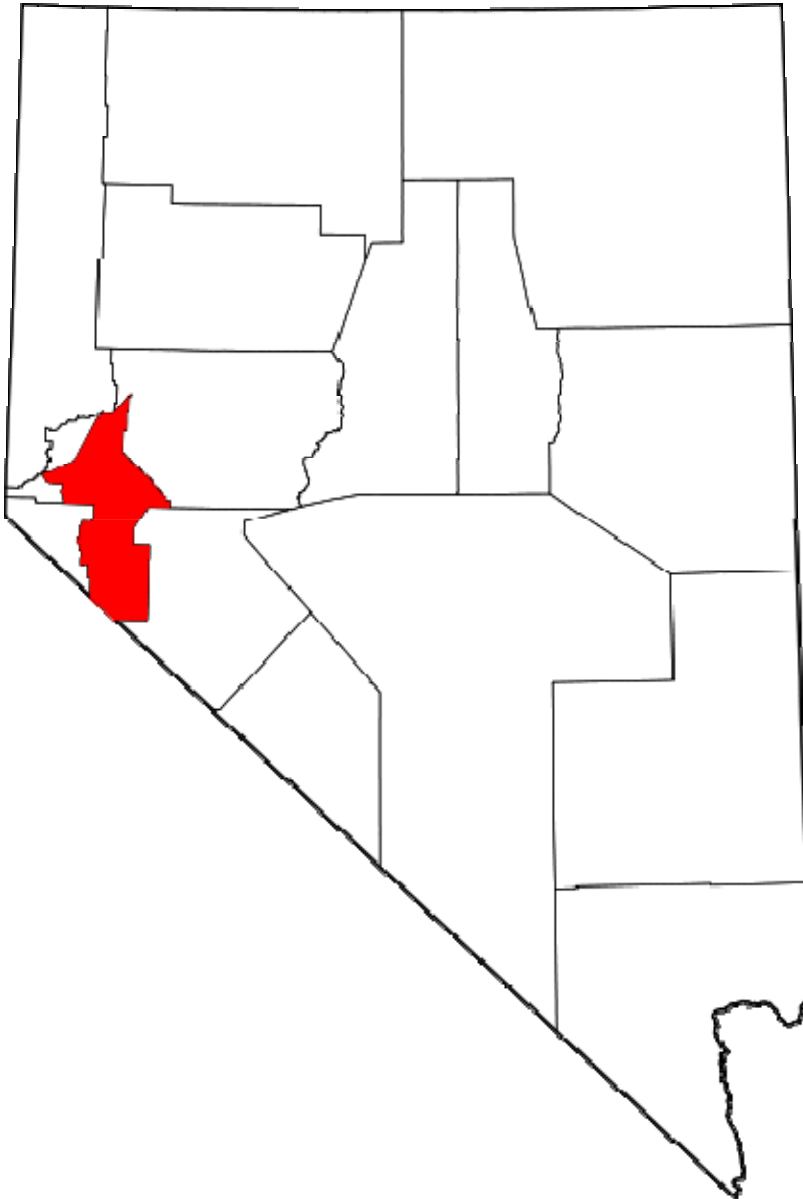
bduke@tax.state.nv.us

<https://mail.state.nv.us/owa/?ae=Item&t=IPM.Note&id=RgAAAABGvlitmtncQJf8BDHBL...> 2/7/2012

Lincoln County Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
#1001-LN01	Value of the surface of patented mining claims	X	
#1001-LN02	Parceling and mapping of patented mining claims	X	
#1001-LN03	Process to "post" values from the mass appraisal analysis to individual parcels in the defined market area	X	
#1001-LN04	Supporting documentation for site adjustments	X	
#1001-LN05	Improper valuation of a possessory interest per Board of County Commission agreement	X	
#1001-LN06	Certain land not included in parcel database	X	
#1001-LN07	Information not maintained on the Internet	X	

15 Lyon County

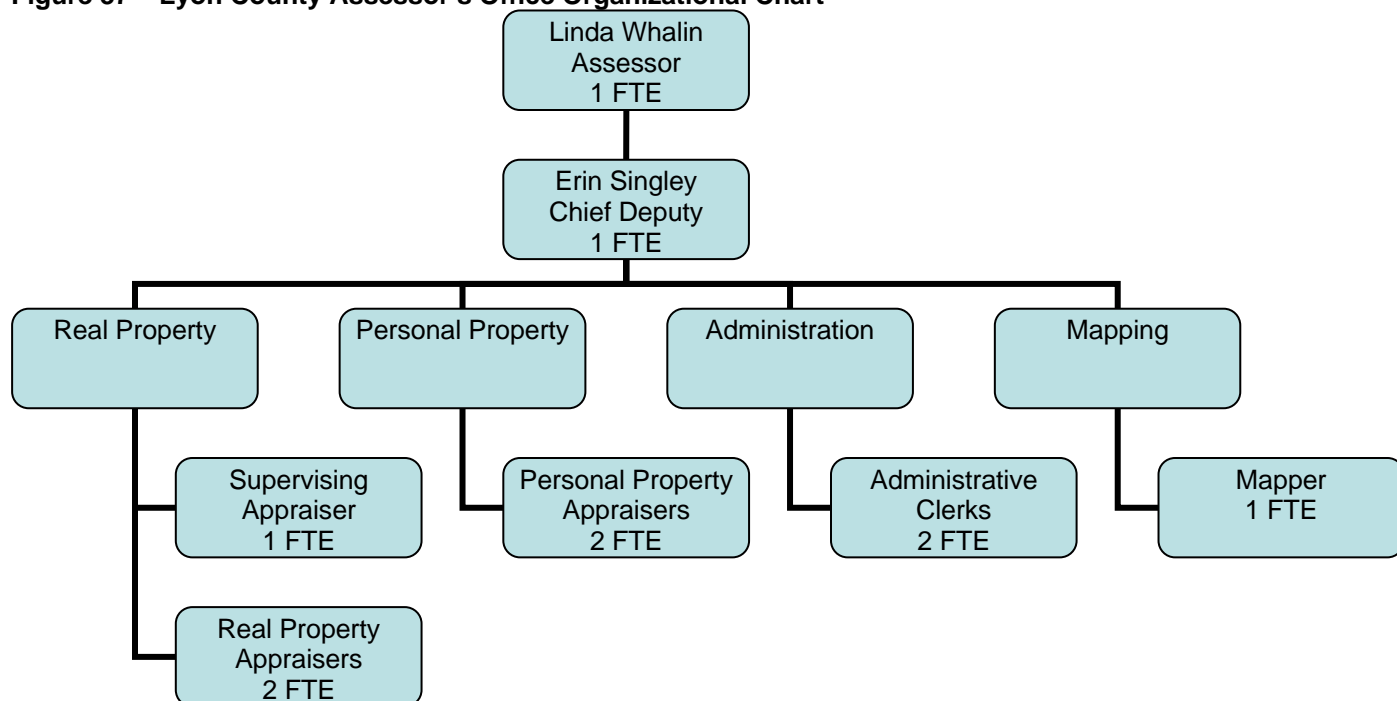


Map Source: www.wikipedia.org

15.1 Organizational Structure

The local governing body is composed of five elected members of the Board of Commissioners. The Board selects a Chair and Vice-Chair from among the five members. All of the members of the Board serve four-year staggered terms. The County Assessor is also elected to four-year terms. Other elected officials with statutory roles in the property tax system include the Clerk/Treasurer, Recorder, District Attorney, and Sheriff. The following chart shows the organization of the Lyon County Assessor's Office.

Figure 37 – Lyon County Assessor’s Office Organizational Chart



The Lyon County Assessor’s Office consists of 10 Full Time positions (10 FTE). The Lyon County Assessor’s Office does not perform duties beyond the required statutory duties (e.g. the Assessor’s Office does not collect the unsecured roll and does not provide DMV services).

Lyon County maintains a website. The property tax roll⁹² is posted in the website. The Lyon County website contains additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. Recorded deeds are also available on the Lyon County website.

15.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Lyon County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

⁹² NRS 361.0445(3) and 361.0445(4)

15.3 Statistics

Statistical Analysis of the Roll

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Lyon County Assessor's Office.

# of Parcels	Acres	Land AV ⁹³	Land TV ⁹⁴	Exempt Acres ⁹⁵
32,770	1,281,807	~\$599 million	~\$1.7 billion	964,594

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Lyon County Assessor's Office by land use code.

Figure 38 – Lyon County Summary of Parcels by Land Use Code

	# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)	10,990	1,062,441.57	\$ 232,856,021
Residential Single Family (20 & 22)	16,722	28,780.60	229,385,045
Residential Townhouses/Condos (21, 24, 25)	109	100.98	485,860
Mobile Homes (23 & 26)	2,239	6,793.28	25,562,130
Multiresidential (30 - 36)	459	16,007.41	13,634,074
Commercial (40 - 44)	618	4,595.80	39,153,780
Industrial (50 - 52)	605	4,578.44	34,941,855
Agricultural Land (60)	778	129,352.92	13,125,642
Open Space (62)	23	1,689.56	3,100,640
Patented Mining Claims (63)	130	8,508.44	568,000
All Mining Property Including Mills (64)	1	4.51	31,500
Aggregates, Quarries, etc. (67)	13	2,183.81	1,302,720
Centrally Assessed Property (70)	28	908.75	22,750
Intracounty Public Utilities (71)	54	15,593.14	3,816,550
Centrally Assessed Local Portion (72)	1	267.40	935,900
Totals	32,770	1,281,806.61	\$ 598,922,467

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)⁹⁶ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the

⁹³ AV = Assessed Value. Assessed Value is 35% of Taxable Value

⁹⁴ TV = Taxable Value before Exemptions

⁹⁵ Exempt acres includes US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, and other property. The Lyon County Assessor reported 738 exempt parcels totaling 964,546.17 acres in the 2009-2010 Statistical Analysis of the Roll.

⁹⁶ [Chapter 69, Title 31 of the United States Code](#).

payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 39 – Lyon County Payments in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	567,830	568,028	568,028	568,028
FS (Forest Service) acres	275,583	275,583	275,583	275,583
BOR (Bureau of Reclamation) acres	24,894	24,894	24,894	24,894
Total exempt acres	868,307	868,505	868,505	868,505
% of Total County acres (1,275,962)	68%	68%	68%	68%
Based on 2000 Census				
\$ Payment in Lieu	\$1,244,495	\$1,975,897	\$2,023,135	\$1,896,456
\$ PILT per acre	\$1.43	\$2.28	\$2.33	\$2.18

15.4 Findings and Recommendations

Two findings were made in this Land Valuation Performance Audit. Each finding is discussed in more detail below.

Finding #1001-LY01 – Supporting documentation for site adjustments

Criteria	NRS 361.227 allows for adjustment on individual parcels within a defined market area to adjust the values obtained in the mass appraisal analysis for specific conditions unique to a particular parcel. NRS 361.227 requires supporting documentation for any adjustments.
Condition	Adjustments are made to certain parcels without the appropriate supporting documentation of the values
Effect	Most adjustments are downward for negative influences. This generally results in under assessments.
Cause	The Lyon County Assessor does not perform the necessary analysis to support adjustments.
Recommendation	The Assessor should establish procedures to determine the influences on particular parcels within a defined market area and to retain documentation of the adjustments.

Finding #1001-LY02 – Valuation of the surface of patented mining claims

Criteria	Article 10, Section 5 of the Nevada Constitution, NRS 362.030 through 362.095, and NAC 362.410 outline the responsibilities of the county assessor for assessment of the surface of patented mines and mining claims, depending on the use of the land and whether or not an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes per NRS 362.050 is filed with the County Recorder.
Condition	The Lyon County Assessor has done an excellent job in mapping patented mining claim and incorporating them into the parcel system. However, sampling revealed that a value slightly higher than \$500 per claim was applied in areas where surrounding land was substantially lower. There was no supporting documentation for the difference. It is likely that these were increased by inappropriately applying a land factor in past years and not changing values in subsequent years. There is no support for the analysis of the value assigned to surrounding federal land.
Effect	Some mining claims may have been over assessed. The total effect on all claims was not determined but it appears that the affected claims were over assessed by approximately \$20 per claim, assuming that comparable land is, in fact, lower in value than \$500 per claim per NAC 362.410. Lyon County is in Zone 4 of the BLM Right-of-Way and land lease programs. Zone 4 is equal to \$1,500 per acre. If, in fact, \$1,500 per acre is an appropriate value for the land, the claims may have been under assessed.
Cause	Processes are not in place to systematically evaluate (1) the use of the surface of patented mining claims, (2) the valuation pursuant to NAC 362.410. Lack of internal controls related to application of factors also contributed to the possible over assessment.
Recommendation	The Department recommends that the County Assessor develop and implement policies and procedures to: <ol style="list-style-type: none"> 1. Document the use of the surface of each mining claim. 2. Value the surface ownership of the patented mining claim based on appropriate analysis of comparable properties and apply the \$500 per claim allowed by NAC 362.410 if the value obtained through appropriate analysis is less.

15.5 Audit Methodology

To gain an understanding of the operations of the Lyon County Assessor's Office, we interviewed the Assessor and the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also documented specific work flows related to land valuation, including significant control points in the work flow. We also discussed the types of properties classified in each major land use code used in Lyon County. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

To evaluate the effectiveness of the Assessor's Office sales data collection processes, we traced 59 deeds randomly selected from the Lyon County Recorder's records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. There were no exceptions.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%⁹⁷ with staff. We also obtained copies of any sales questionnaires related to the 59 deeds and reviewed other evidence of verification processes for the sales. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we listed the market areas defined by the Assessor and obtained copies of maps depicting the market areas. The sales comparison approach was used in each of the market areas. Market areas are defined by map books. We reviewed the documentation for each market area and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. Findings #1001-LY01 and #1001-LY02 resulted from these audit procedures.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value⁹⁸ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

⁹⁷ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

⁹⁸ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	20
Residential Single Family (20 & 22)	30
Residential Townhouse Condo(21,24,25)	2
Mobile Homes (23 & 26)	4
Multiresidential (30 - 36)	6
Commercial (40 – 44)	7
Industrial (50 - 52)	2
Agricultural Land (60)	6
Open Space	0
Golf Courses (various)	2
Patented Mining Claims (63)	2
All Mining Property Including Mills (64)	5
Aggregates Quarries (67)	1
Centrally Assessed Property (70)	29
Intracounty Public Utilities (71)	2
Centrally Assess local portion (72)	1
Possessory Interests	0
Leases (Oil & Gas)	0
Geothermal	0
TOTAL	119

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space land, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. Findings #1001-LY01, and 1001-LY02 were the result of this audit work.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we traced two parcel maps selected from items on the Lyon County Board of Commissioners agenda through the processes to record the split and allocate values to the new parcels. An internal control issue in the GIS mapping system was noted during the audit. A parcel split was mapped, reviewed, and approved through the Assessor's Office system. Later, the parcel was changed without Assessor's Office approval or input. The Department recommends that controls be designed and implemented to allow only approved changes to the parcel system.

To determine if the Lyon County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the six parcels selected. We also recalculated the assessment on each of the six parcels selected. There were no exceptions.

To determine if the Lyon County Assessor's Office effectively determined properties eligible for the subdivision discount, we selected five areas reviewed the Assessor's records for calculating subdivision discounts. There were no exceptions.

The Lyon County Assessor reported that the abstraction method was not used during the period selected for the audit. No use of the abstraction methods was observed in the items sampled.

The Lyon County Assessor reported that the allocation method is used for establishing values and for verifying the results of values obtain from other processes. We reviewed the spreadsheets and paper documents containing primarily paired sales analysis and sales-resales analysis. There were no exceptions.

The Lyon County Assessor reported that the Cost of Development method is not used. We did not encounter use of the Cost of Development method in any of the parcels sampled.

The Lyon County Assessor reported that the Capitalization of Ground Rents method is not used. We did not encounter use of the Capitalization of Ground Rents method in any of the parcels sampled.

The Lyon County Assessor represented that the Land Residual method is not used. We did not encounter use of the Land Residual method in any of the parcels sampled.

The Lyon County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling indicated annual reappraisal.

To determine if changes to the roll from actions of the local Board of Equalization or the State Board of Equalization were properly updated to the Assessor records, we read the minutes and packet from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate Board of Supervisors actions. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Lyon County Assessor. On December 6, 2011 we met with the Lyon County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report included:

Terry Rubald, Chief Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

15.6 Assessor's Response

Performance Audit #1001- Land Valuation

Lyon County Assessor's Response

Findings and Recommendations

Page 15-4

Finding #101-LY01-Supporting Documentation for Site Adjustments

1. The Assessor's Office is now including in each parcel book the documentation of how land valuations are derived. The analysis to support the valuations is based on the use of the Land Factor Workbook from the Department of Assessment Standards in conjunction with our Sales Data Program.
2. Sales Data and Valuation Workbooks are all being saved to a shared hard drive so they may be easily accessed by all office staff.
3. The time line for implementing will be as we reappraise each individual reappraisal area beginning this year. (2011)

Page 15-5

Finding #1001-LY02- Valuation of the surface of patented mining claims

1. The Assessor's office will document the use of the surface of each Patent mining claim by use of aerial photography and staff visits as indicated.
2. Comparable analysis of properties will be used in valuation of patented mining claims and if indicated through appropriate analysis the value should be less, the value of \$500 per claim will be used.
3. Timeline will be as we have these parcels in our reappraisal areas.

Page 15-7

Conflict with GIS and Assessor's Mapping Controls

1. Control of the approved changes has been made with the implementation of our Mapping Specialist as the only person to edit and process changes in our parcel base.
2. This problem is resolved at this time with our new mapping guidelines and our mapping staff having total control of all parcel information of additions or deletions or changes.

Judith Wheeler
Lyon County Assessor

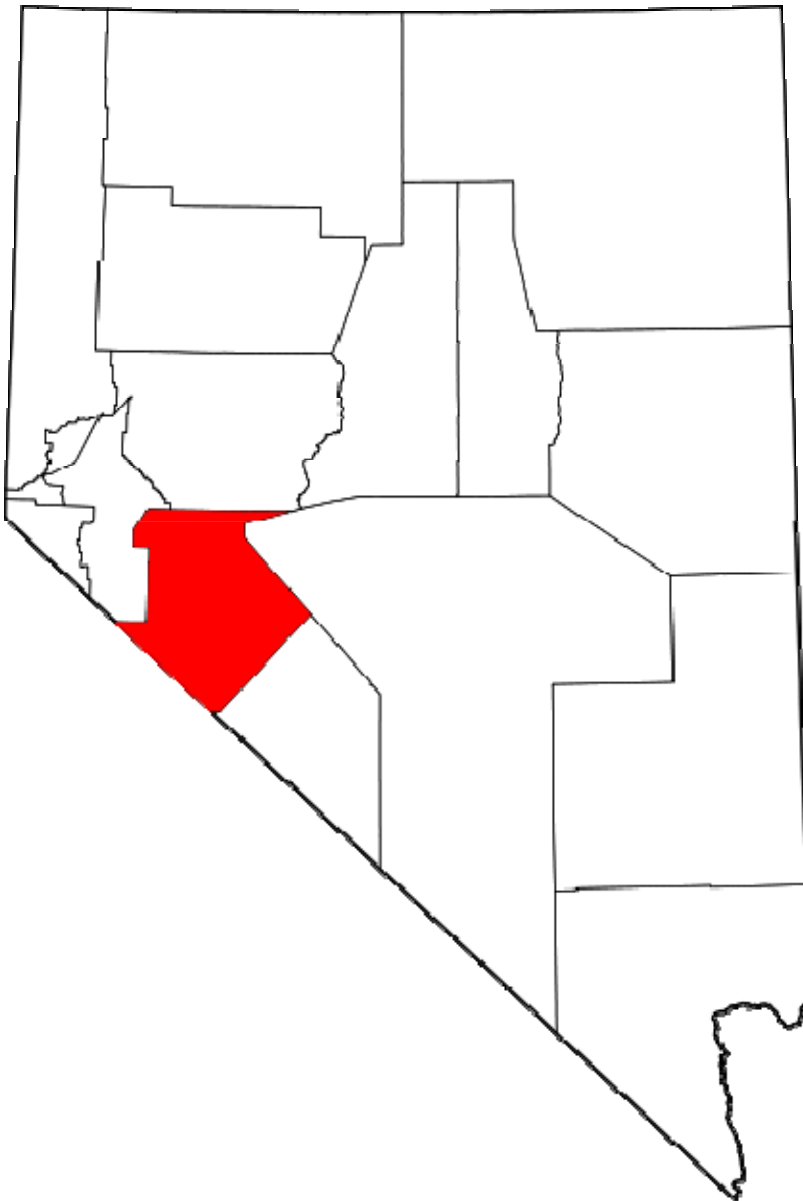
Lyon County Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
#1001-LY01	Site Adjustment Support	X	
#1001-LY02	Valuation of Mining Claims	X	

15.7 Special Recognition

The Lyon County Assessor's Office mapping system for patented mining claims is exceptional and should be used as an example for other counties that are faced with the task of mapping mining claims.

16 Mineral County

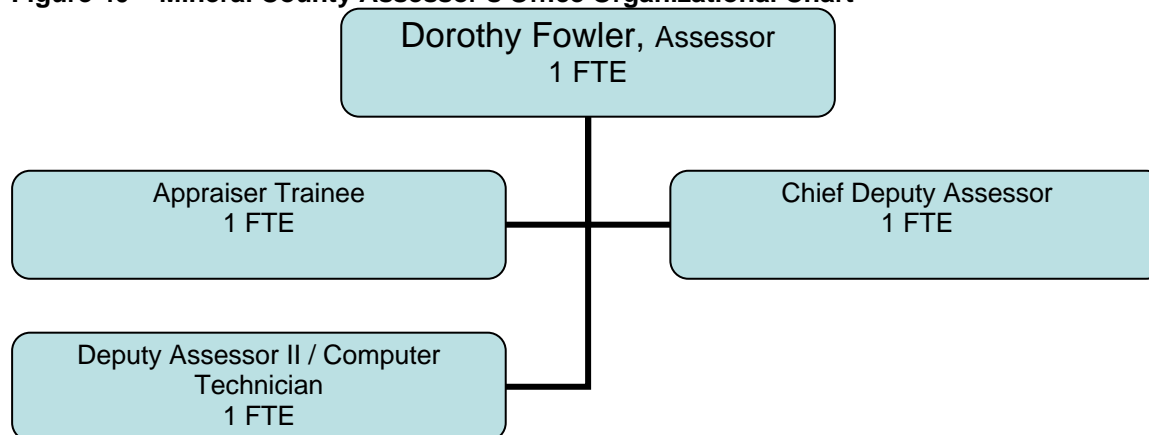


Map Source: www.wikipedia.org

16.1 Organizational Structure

The local governing body is composed of three elected members of the Board of Commissioners. The Board selects a Chair and Vice-Chair from among the three members. All of the members of the Board serve four-year staggered terms. The Assessor is also elected to four-year terms. Other elected officials with statutory roles in the property tax system include Auditor/Recorder, Clerk/Treasurer, District Attorney, and Sheriff. The organizational chart for the Mineral County Assessor's Office follows.

Figure 40 – Mineral County Assessor’s Office Organizational Chart



The four positions in the Mineral County Assessor’s Office represent four Full Time Equivalents (FTE). The Clerk/Treasurer bills and collects taxes due on the secured roll. The Mineral County Assessor’s Office bills and collects taxes due on the unsecured roll. Parcel map updates and GIS services are provided by a separate county department.

Mineral County previously did not maintain a website. The property tax roll⁹⁹ was posted on the Nevada Department of Taxation website. Information on parcels of land in Mineral County and associated improvements and personal property was *not* available online. Mineral County recently developed a web site containing this information. Recorded deeds are *not* available online; however, summary information about recorded deeds is available online.

16.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Mineral County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

16.3 Statistics

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Mineral County Assessor’s Office.

# of Parcels	Acres	Land AV ¹⁰⁰	Land TV ¹⁰¹	Exempt Acres ¹⁰²
4,081	2,346,582	~\$155 million	~\$442 million	2,270,217

⁹⁹ NRS 361.0445(3) and 361.0445(4)

¹⁰⁰ AV = Assessed Value. Assessed Value is 35% of Taxable Value

¹⁰¹ TV = Taxable Value before exemptions

¹⁰² Exempt acres include US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, Church and other land. The Mineral County Assessor reported 478 exempt parcels totaling 2,270,217.30 acres in the 2009-2010 Statistical Analysis of the Roll.

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Mineral County Assessor's Office by land use code.

Figure 41 – Mineral County Summary of Land Parcels by Land Use Code

		# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)		1,700	2,295,278.39	\$ 138,445,060
Residential Single Family (20 & 22)		1,284	2,393.07	7,523,606
Mobile Homes (23 & 26)		469	439.66	2,364,741
Multiresidential (30 - 36)		130	86.40	1,104,025
Commercial (40 - 44)		181	329.03	2,419,997
Industrial (50 - 52)		78	29,050.32	2,033,872
Agricultural Land (60)		67	15,753.87	203,276
Patented Mining Claims (63)		112	20.00	247,920
All Mining Property Including Mills (64)		41	3,219.02	354,714
Aggregates, Quarries, etc. (67)		2	1.00	15,487
Centrally Assessed Property (70)		7	5.43	-
Intracounty Public Utilities (71)		10	5.32	70,537
Possessory Interests	22			181,510
Leases (Oil & Gas)	10			58,503
Totals		4,081	2,346,581.51	\$ 155,023,248

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)¹⁰³ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county. The following table reflects the acreage and payment amounts for PILT in Mineral County over the last three fiscal years.

¹⁰³ [Chapter 69, Title 31 of the United States Code.](#)

Figure 42 – Mineral County Payments in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	1,561,512	1,561,512	1,561,090	1,561,090
FS (Forest Service) acres	379,365	379,365	379,365	379,365
Total exempt acres	1,940,877	1,940,877	1,940,455	1,940,455
% of Total County acres (2,404,096)	81%	81%	81%	81%
Based on 2000 Census				
\$ Payment in Lieu	\$459,967	\$723,930	\$728,644	\$639,726
\$ PILT per acre	\$0.24	\$0.37	\$0.38	\$0.33

16.4 Findings and Recommendations

Eleven findings were made in this Land Valuation Performance Audit. Each finding is discussed in more detail below.

Finding #1001-MN01 – Sales Data Collection and Verification

Criteria	Generally, NAC 361.118 requires a county assessor to determine the full cash value of land by applying the sales comparison approach. NAC 361.118(2) lists the types of information the assessor should collect and NAC 361.118(3) lists procedures that an assessor may use to verify the accuracy of the data collected. Systems to identify, record, verify, and document sales are integral to the sales comparison approach.
Condition	A sample of 59 deeds was traced through the Assessor's records. Of the 59 transactions, 25 (42%) were properly marked as non-sales, 3 (5%) were potentially valid sales that were not recorded, 1 (2%) was a multiple parcel sale that was not flagged, 11 (19%) were recorded and within the 20%-40% criteria, 10 (17%) were recorded with ratios under 20%, 4 (7%) were recorded with ratios in between 40% and 100%, and 5 (8%) were recorded with ratios of 100% or greater. Evidence of verification procedures was not available in the records.
Effect	Accurate sales data is necessary to properly apply the sales comparison approach to land value. Incomplete and inaccurate sales data may lead to erroneous valuations. Although the sample selected is too small to make any inference about valuation in the total population, the large variability of the results may indicate valuation issues.
Cause	Policies and procedures are not in place to ensure that sales are identified, recorded, verified and documented.
Recommendation	Establish and implement policies and procedures to ensure that sales are identified, recorded, verified, and appropriately documented. Establish and implement policies and procedures to identify and flag multiple parcel sales. Establish and implement policies and procedures to investigate, verify, and document any sale outside of a predetermined ratio (for example 20%-40% based on assessed value at time of sale to sales price). This issue was noted in the 2009-2010 Report of Assessment Ratio Study on Page 18.

Finding #1001-MN02 – Market Area Definitions

Criteria	NAC 361.118(5) discusses use of the sales comparison approach by allowing the county assessor to sort sales and other market data into homogeneous groups to reflect different market influences and variations in zoning, other land-use controls and probably use. The stratified market data is then used as a basis for analysis and mass appraisal of parcels within a given market area.
Condition	The Mineral County Assessor established market areas based on factors other than market influences. Specifically, the Hawthorne area is broken into several market areas but no documentation or study is available regarding the market influences. Generally, there are a small number of vacant sales and alternative methods described in NAC 361.119 are not used to determine land components of sales of improved properties.
Effect	Because there are few sales in each market area, often values are not changed. Expansion of the market areas or inclusion of several market areas in a mass appraisal area could possibly provide sufficient data to support values. It is impossible to quantify potential over or under assessment without undertaking an in depth analysis of the processes.
Cause	Studies of market areas and relationships of market areas have not been undertaken.
Recommendation	Conduct additional studies, including use of alternative methods described in NAC 361.119, to obtain additional data on market areas. Thoroughly analyze available data to determine actual market influences. Use these studies in future appraisals to determine assessed values in various areas based on market influences. This issue was noted in the 2009-2010 Report of Assessment Ratio Study on Page 18.

Finding #1001-MN03 – Mass appraisal analysis, market adjustments, and statistical analysis

Criteria	NRS 361.227 provides for mass appraisal practices and generally accepted mass appraisal standards provide tools to determine values. Generally, averages or means are not the best way to determine value. Statistical programs are available to determine whether or not the selected value is within industry guidelines
Condition	The Mineral County Assessor determines all values based on the average of vacant land sales unadjusted for market conditions. The Assessor does not further analyze the results. Statistics are not used to determine the quality of appraisals. Documentation of processes used to determine values is not available and summaries of results of processes are not available. Therefore, testing of the processes was not possible.
Effect	The values are generally understated due to this process because values are generally not changed from year to year.
Cause	The County Assessor does not utilize available tools to test the validity of the appraisals. The County Assessor does not maintain documentation of processes used to establish values. The reliance on institutional knowledge results in inadequate documentation of processes.
Recommendation	The Mineral County Assessor should maintain documentation of processes undertaken to establish values and create a summary sheet for each market area containing the criteria used to apply the analysis to each parcel in the market area. The Mineral County Assessor should also use statistical programs, such as the program developed by the Department, to measure the quality of appraisals. This issue was noted in the 2009-2010 Report of Assessment Ratio Study on Page 18.

Finding #1001-MN04 – Process to “post” values from mass appraisal analysis to individual parcels in the defined market area

Criteria	Mass appraisal is the process of valuing a group of properties as of a given date using standard methods. Statistical testing is an important element in quality control of a mass appraisal system. Once an appraisal of an area is completed, the results are applied to the individual parcels in the market area. NAC 361.118(5) describes this process in using mass appraisal to ensure that land values will reflect market data for parcels with similar or competitive uses in the same area.
Condition	Because the documentation of the mass appraisal process did not exist, testing of the application of the mass appraisal to individual parcels in the area was not possible. Each physical file on each parcel contains a description of the value but could not be reconciled to an appraisal process..
Effect	It is impossible to determine whether land is over or under assessed.
Cause	The valuation process is largely manual and the update is entered into the appraisal/billing computerized system manually.
Recommendation	Establish procedures to assign values to each parcel using an excel spreadsheet and utilize the procedures available in the ADS system to upload the values into the computerized system. The excel spreadsheet would reconcile to market analysis.

Finding #1001-MN05 – Supporting documentation for site adjustments

Criteria	NRS 361.227 allows for adjustment on individual parcels within a defined market area to adjust the values obtained in the mass appraisal analysis for specific conditions unique to a particular parcel. NRS 361.227 requires supporting documentation for any adjustments.
Condition	Adjustments are made to certain parcels without the appropriate supporting documentation of market information of the value of the attribute.
Effect	Most adjustments are downward for negative influences. This generally results in under assessment.
Cause	The Mineral County Assessor does not perform the necessary analysis to support adjustments.
Recommendation	The Assessor should conduct appropriate market studies to determine the value of any site adjustment. The Assessor should establish and implement procedures to determine the value of site adjustments and retain the documentation of the adjustments.

Finding #1001-MN06 – Golf course valuation open space discount

Criteria	Golf courses are automatically designated as open space for purposes of property taxation per NRS 361A. The Nevada Tax Commission annually publishes a manual for valuation of golf courses as an addendum to the open space/agriculture property manual. Assessor's are required to value these properties per NRS and NAC 361A.
Condition	There is one golf course in Mineral County that is owned by a taxable entity. The Mineral County Assessor did not assess the land used for golfing per NRS 361A and NAC 361A. Specifically, the Mineral County Assessor did not apply the open space discount allowed by NAC 361A.390(3)(b). Note that NAC 361A.390(3)(a) is not applicable in this situation.
Effect	The Mineral County Assessor determined a taxable value of \$1,135.50 per acre for the 52.50 acre parcel for purposes other than open space use. Per NAC 361A.390(3)(b) the land should have been discounted by .74 to determine the taxable value for open space use of the golf course land. This resulted in overstatement of taxable value of approximately \$15,499.58 ($\$1,135.50 \times 52.50 \text{ acres} = \$59,613.75 \times (1-0.74) = \$15,499.58$). Assuming a levy of \$3.66 per \$100 of Assessed Value, the over taxation would be approximately \$198.55 ($\$15,499.58 \times 35\% \text{ Assessment Rate} \times \$3.66 / \$100 \text{ levy} =$
Cause	The Assessor does not have policies, procedures, and processes in place to properly apply NRS 361A and NAC 361A to land underlying golf courses.
Recommendation	Design and implement policies, procedures, and processes to properly assess the land underlying golf courses per NRS and NAC 361A. As noted in the Audit Methodology section, the Department is researching the proper treatment of land underlying related improvements such as club houses, pro shops, restaurants, to determine whether the land should be valued as open space or commercial. Further recommendations may be made after this research is completed.

Finding #1001-MN07 – Valuation of the surface of patented mining claims

Criteria	Article 10, Section 5 of the Nevada Constitution, NRS 362.030 through 362.095, and NAC 362.410 outline the responsibilities of the county assessor for assessment of the surface of patented mines and mining claims, depending on the use of the land and whether or not an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes per NRS 362.050 is filed with the County Recorder.
Condition	The County Assessor assessed all patented mining claims at \$500 assessed value per claim, pursuant to NAC 362.410, however, no evidence of the “greater of” part was of the test in NAC 362.410 was documented. The Assessor reports that processes are in place to comply with exclusions available pursuant to NAC 362.050, but owners rarely file. No filings occurred during the period covered by the audit. Documentation of the use of the surface of each mining claim is not available in the assessor’s records. Documentation of the land use, location, area, and other attributes is necessary to make the appropriate decisions in applying statutes and regulations. The land area of each mining claim is not reconciled with overlapping claims and recorded in the assessor’s records.
Effect	Some mining claims may qualify for exemption from taxation if an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes form were filed and processed. This may have resulted in over taxation of these lands. The process of placing \$500 per claim assessed value on the surface of claims likely results in under-assessment and under taxation. For claims used for purposes other than mining or agriculture, there is likely under assessment and under taxation.
Cause	Processes are not in place to systematically evaluate (1) the use, location, area and other attributes of the surface of patented mining claims, (2) the valuation pursuant to NAC 362.410 or NRS 361.227, and (3) the exception, if applicable, per Article 10, Section 5 of the Nevada Constitution as further outlined in NRS 362.050.
Recommendation	<p>The Department recommends that the County Assessor develop and implement policies and procedures to:</p> <ol style="list-style-type: none"> 1. Document the use, area, location and other attributes of the surface of each mining claim. 2. Provide Affidavit of Labor on Patented Mining Claims for Exemption of Taxes forms to owners and process forms to provide exemptions. 3. Determine the area for each mining claim and record the area in the records for each patented mining claim, including reconciliation of overlapping claims. 4. Determine if patented mining claims are no longer considered patented mining claims for purposes of taxation due to change of use or subsequent parcelling 5. Value the surface ownership of the patented mining claim and appropriately apply NAC 362.410, if applicable. <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance.</p>

Finding #1001-MN08 – Parceling and mapping of patented mining claims

Criteria	<p>Pursuant to NRS 517.213(1), “The county recorder shall include all patented mines and mining claims in the county on the county map of mining claims in a manner which clearly distinguishes the patented mines and mining claims from the unpatented claims.”</p> <p>Pursuant to NRS 517.213(3) “A county recorder who records a map pursuant to this section shall, within 7 working days after the county recorder records the map, provide to the county assessor, at no charge, (a) a duplicate copy of the map and any supporting documents or (b) access to the digital map and any digital supporting documents. The map and supporting documents must be in a form that is acceptable to the county recorder and the county assessor.”</p> <p>Pursuant to NRS 361.189(1)(a) “All land in this State must be legally described for tax purposes by parcel number”</p> <p>Pursuant to NRS 361.189(1)(b) “Each county shall prepare and possess a complete set of maps drawn in accordance with such parceling system for all land in the County.”</p> <p>Pursuant to NRS 361.890(3) “The maps must readily disclose precisely what land is covered by any particular parcel number in the current fiscal year.”</p> <p>Pursuant to NRS 361.220, “Land may be described by metes and bounds, or other description sufficient to identify it, giving the locality and an estimate of the number of acres.”</p>
Condition	The Assessor assigns parcel numbers to patented mining claims outside of the regular parcel system. Assessor Parcel Maps do not show the relationship of surface ownership of patented mining claims to other surface ownership, including reconciliation of overlapping claims.
Effect	The Assessor Parcel Maps do not readily disclose the location of the surface ownership or precisely what land is covered by a particular parcel number. The lack of integration of patented mining claims with other land ownership makes accurate valuation of the surface of patented mining claims difficult.
Cause	The process of reconciling the surface ownership of each patented mining claims has not been undertaken. The transfer of this information in to the parcel system has not been undertaken. The process of integrating patenting mining claims into parcel maps has not been undertaken.
Recommendation	<p>Identify and map the surface of patented mining claims by reconciling surface ownership of overlapping claims and incorporate the results into the regular parcel numbering system, including estimates of actual surface acreage owned. Update the parcel database accordingly.</p> <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance. The Department intends to facilitate efforts toward compliance, if possible.</p>

Finding #1001-MN09 – Ownership interest in oil and gas leases

Criteria	NRS 361.157 relates to possessory interests in real property. Pursuant to NRS 361.157 a possessory interest exists when any real estate or portion of real estate which for any reason is exempt from taxation is leased, loaned, or otherwise made available to or used by a natural person, association, partnership or corporation, in connection with a business conducted for profit or as a residence, or both. NRS 361.157 lists situations to which the statute does not apply, none of which relate to oil and gas leases. Pursuant to NRS 361.2275, the possessory interest must be durable, exclusive, and independent. Oil and gas leases meet these criteria. Oil and gas leases are usually not actively traded so sales data is generally not available. As a result, the sales comparison approach is generally not feasible. Pursuant to NRS 361.230, the minimum valuation for any oil and gas lease is \$1.25 assessed value per acre which is equivalent to \$3.57 taxable value per acre.
Condition	The Mineral County Assessor did not undertake any valuation of the oil and gas leases and placed the minimum of \$1.25 assessed value per acre on all oil and gas leases with no calculation of the value of the possessory interest using either the income approach or the sales comparison approach. Oil and gas leases are often owned by multiple owners and the BLM provides a listing to the Assessor each year listing the number of acres and % ownership. The Mineral County Assessor based the assessment on the number of acres without consideration of the % ownership.
Effect	Assuming that the minimum value of \$1.25 assessed value per acre is applicable, partial owners were over assessed since each partial owner was assessed 100% of the acreage.
Cause	Policies and procedures for allocating the value to partial owners is not in place
Recommendation	The Department is currently evaluating the issue of valuation of three categories of oil and gas leases: undeveloped, producing, and depleted. The Department intends to provide direction in the future. However, the Assessor should design and implement procedures to allocate the value on oil and gas leases by taking into consideration the percentage ownership.

Finding #1001-MN10 – Information not maintained on the Internet

Criteria	NRS 361.0445(3) states that “Each county assessor and county treasurer shall, to the extent feasible, provide on a website or other Internet site, if any, that is operated or administered by or on behalf of the county or the county assessor or county treasurer, information In a form that is easily understood and readily accessible to the public.” NRS 361.0445(4) states that “The Department and each county shall update and upgrade the websites or other Internet sites maintained pursuant to this section to the extent necessary to improve the quantity, quality and accessibility of the information provided to the public on the Internet.” This requirement was added to the statutes in 2005 through AB128.
Condition	Mineral County does not have a website and information such as parcel maps, property data, and other basic information is not available online. Copies of deeds are not available online. Since the field work occurred, Mineral County launched a web site.
Effect	The public cannot readily get information about land parcels and other information online. Parcel maps are only available in paper form from the Assessor’s Office.
Cause	Projects to create a county website and specific applications for assessor data have not been undertaken. Funds have not been appropriated to provide the information on the website.
Recommendation	The Mineral County should consider appropriating funds from the Assessor Technology Fund to provide additional online access to information similar to the systems used by other ADS customers. This issue was noted in the 2009-2010 Report of Assessment Ratio Study on page 19.

Finding #1001-MN11 – Acreage

Criteria	NRS 361.227 and NAC 361.119 require the Assessor to maintain sufficient data to appraise land. Area is a key component of land value.
Condition	The samples testing during the audit revealed that the acreage listed in the Assessor “master file” of parcels was not accurate.
Effect	Erroneous information about acreage in master files may result in erroneous conclusions of value.
Cause	The data in the “master file” has not been reconciled to parcel maps to ensure that area in the “master file” is correct..
Recommendation	Coordinate a project using GIS to compare acreage or area on parcel maps to acreage or area in the “master file” and to place the correct area data in the “master file.”

16.5 Audit Methodology

To gain an understanding of the operations of the Mineral County Assessor's Office, we interviewed the Assessor and the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also documented specific work flows related to land valuation, including significant control points in the work flow. We also discussed the types of properties classified in each major land use code used in Mineral County. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

To evaluate the effectiveness of the Assessor's Office sales data collection processes, we traced 59 deeds randomly selected from the Mineral County Recorder's records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. Finding #1001-MN01 resulted from these audit procedures.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%¹⁰⁴ with staff. We also obtained copies of any sales questionnaires related to the 59 deeds and reviewed other evidence of verification processes for the sales. Finding #1001-MN01 resulted from these procedures.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we listed the market areas defined by the Assessor and obtained copies of maps depicting the market areas. The sales comparison approach was used in each of the market areas. Since there were fewer than 20 market areas defined, we reviewed the documentation for each market area and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. Findings #1001-MN02, #1001-MN03 and #1001-MN05 resulted from these audit procedures.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value¹⁰⁵ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

¹⁰⁴ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

¹⁰⁵ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	24
Residential Single Family (20 & 22)	19
Residential Townhouse Condo(21,24,25)	0
Mobile Homes (23 & 26)	7
Multiresidential (30 - 36)	3
Commercial (40 – 44)	5
Industrial (50 - 52)	2
Agricultural Land (60)	6
Open Space	0
Golf Courses (various)	1
Patented Mining Claims (63)	5
All Mining Property Including Mills (64)	5
Aggregates Quarries (67)	0
Centrally Assessed Property (70)	6
Intracounty Public Utilities (71)	11
Centrally Assess local portion (72)	0
Possessory Interests	6
Leases (Oil & Gas)	5
Geothermal	0
TOTAL	109

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space land, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. Findings #1001-MN02 through #1001-MN11 were the result of this audit work.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we traced two parcel maps selected from items on the Mineral County Board of Commissioners agenda through the processes to record the split and allocate values to the new parcels. There were no exceptions.

To determine if the Mineral County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the six parcels selected. We also recalculated the assessment on each of the six parcels selected. There were no exceptions.

To determine if the Mineral County Assessor's Office effectively determined properties eligible for the subdivision discount, we selected five areas and searched the database for a developer owning more than 10 lots. There were none. The Mineral County Assessor reports that no developers are eligible for the subdivision discount. No discounts were encountered in the testing; therefore, there are no exceptions.

The Mineral County Assessor reported that the abstraction method was not used during the period selected for the audit. No use of the abstraction methods was observed in the items sampled.

The Mineral County Assessor reported that the allocation method was not used during the period selected for the audit. No use of the allocation method was observed in the items sampled.

The Mineral County Assessor reported that the Cost of Development method is not used. We did not encounter use of the Cost of Development method in any of the parcels sampled.

The Mineral County Assessor reported that the Capitalization of Ground Rents method is not used. We did not encounter use of the Capitalization of Ground Rents method in any of the parcels sampled.

The Mineral County Assessor represented that the Land Residual method is not used. We did not encounter use of the Land Residual method in any of the parcels sampled.

The Mineral County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling indicates annual reappraisal.

To determine if changes to the roll from actions of the local Board of Equalization or the State Board of Equalization were properly updated to the Assessor records, we read the minutes and packet from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate Board of Supervisors actions. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Mineral County Assessor. On January 25, 2012 we met with the Mineral County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report included:

Terry Rubald, Chief Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

16.6 Assessor's Response



E-Mail:
djfassessor@mineralcountynv.org
Telephone: (775) 945-3684/945-3685
FAX: (775) 945-0717

Office of
Dorothy Fowler
MINERAL COUNTY ASSESSOR

105 South "A" Street ... Suite 3
P.O. Box 400
HAWTHORNE, NEVADA 89415-0400

NICKI DUNN
Senior Appraiser
Real & Personal

KARRIE UTTERBACK
Deputy Assessor

3 February 2012

RECEIVED
FEB 06 2012
State of Nevada
Department of Taxation

Department of Taxation/DOAS
Attention: Terry Rubald, Chief
1550 E College Parkway #115
Carson City, Nevada 89706

RE: Mineral County Audit Response

Dear Terry,

I am enclosing a list of this office's response to the 11 items noted on page 16-18 of the Mineral County Audit.

You will note that item #'s MN06 through MN11 have been addressed and are already being performed correctly. The first recommendations, MN01 through MN04 will be worked on starting the week of February 6th through the 10th. MN05 bothers me because whenever we have an adjustment to be made on any parcel it does not automatically happen just because someone wants it to happen. Something being changed will not happen unless that particular property is reappraised, a deed has been recorded splitting the property (along with a parcel map) or combining (a reversion of acreage map) lots into one parcel or some other act of God occurs. No values are arbitrarily changed without some sort of documentation.

If there are any other questions or situations that arise please feel free to contact me. Thank you for being of service to this office.

Sincerely,
Dorothy Fowler
Dorothy Fowler, Assessor
Mineral County Nevada

Performance Audit #1001 – Land Valuation

Draft

**Mineral County Assessor's Office
Response to Audit Recommendations**

Recommendation Number	Description	Accepted	Rejected
#1001-MN01	Sales data collection and verification	X	
#1001-MN02	Market area definitions	X	
#1001-MN03	Mass appraisal analysis, market adjustments and statistical analysis	X	
#1001-MN04	Process to "post" values from the mass appraisal analysis to individual parcels in the defined market area	X	
#1001-MN05	Supporting documentation for site adjustments	X	
#1001-MN06	Golf course valuation open space discount	X	
#1001-MN07	Valuation of the surface of patented mining claims	X	
#1001-MN08	Parceling and mapping of patented mining claims	X	
#1001-MN09	Ownership interest in oil and gas leases	X	
#1001-MN10	Information not maintained on the Internet	X	
#1001-MN11	Acreage	X	

MINERAL COUNTY ASSESSOR RESPONSE TO AUDIT RECOMMENDATIONS
DOROTHY FOWLER, MINERAL COUNTY ASSESSOR

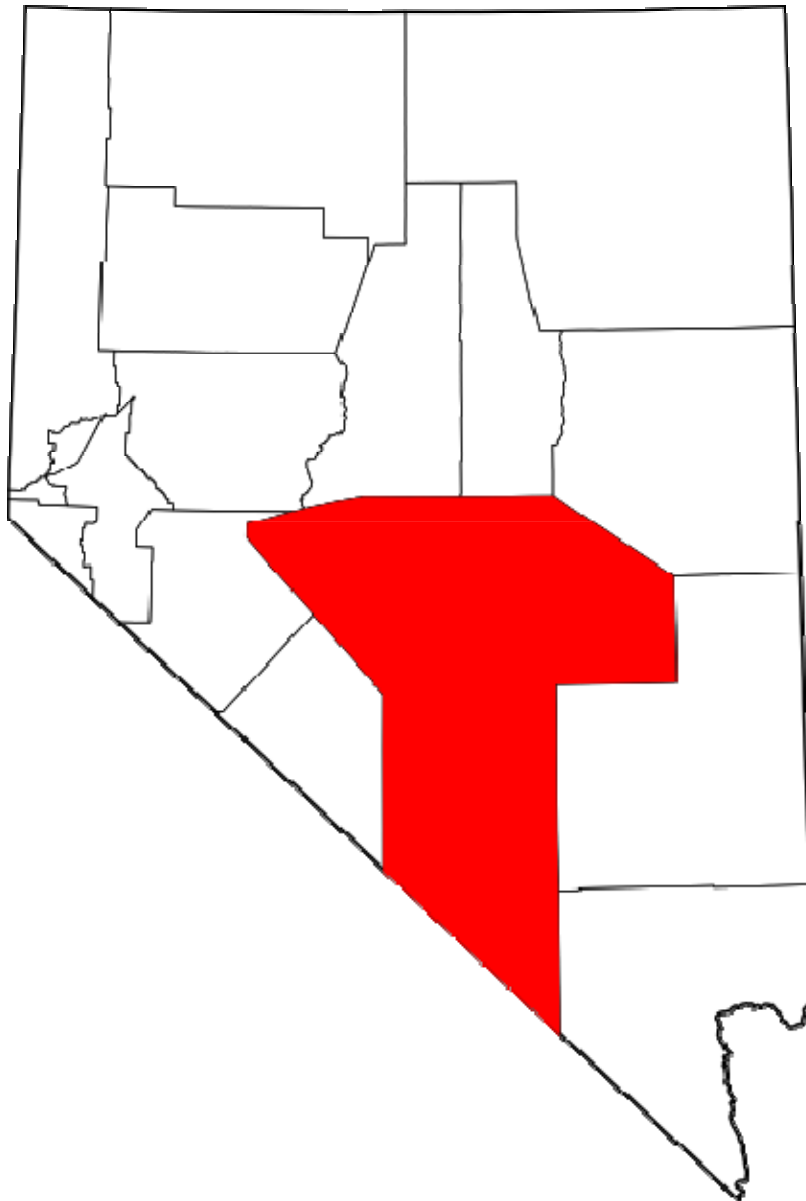
Recommendation #1001

- 1001-MN01 Sales data Collection & verification is in a very crude ADS format at present but with the whole staff getting some further training on formats and EXCEL programming and queries we will only get better.
- 1001-MN02 Controversy exists between the department staff and the assessor staff as to the true definitions of market areas in Mineral County, especially the Town of Hawthorne.
- 1001-MN03 This office is working very hard toward being able to mass appraise and having both land and improvements re-valued each and every year and do away with factoring at all.
- 1001-MN04 The process of “posting” values from the mass appraisal to the individual parcels within any given market area won’t happen until the previous steps are accomplished.
- 1001-MN05 All of the documentation this office is required to have in order for adjustments to be made to the roll for any particular parcel is filed within the property file and/or listed in the miscellaneous note screens.
- 1001-MN06 The golf course valuation was utilized for the 2010-11 tax year and the assessor is aware of the method.
- 1001-MN07 Valuation of the patented mining surface land as it relates to the plat maps and parcel number identification system is in the works.
- 1001-MN08 Parcelling and mapping will happen as we continue to work with our GIS department.
- 1001-MN09 Ownership interest of oil & gas leases and the percentages of that ownership was finally addressed for the 2011-12 billing. The ownership screen of an OG account indicates what the percentage is of that(e) particular leases with the BLM.
- 1001-MN10 The website for the assessor is on the internet as of July 2011 I believe.
- 1001-MN11 We try to keep all of the blanks filled in every screen we use but we are only human and do the best we are able to.

Mineral County Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
#1001-MN01	Sales data collection and verification	X	
#1001-MN02	Market area definitions	X	
#1001-MN03	Mass appraisal analysis, market adjustments and statistical analysis	X	
#1001-MN04	Process to "post" values from the mass appraisal analysis to individual parcels in the defined market area	X	
#1001-MN05	Supporting documentation for site adjustments	X	
#1001-MN06	Golf course valuation open space discount	X	
#1001-MN07	Valuation of the surface of patented mining claims	X	
#1001-MN08	Parceling and mapping of patented mining claims	X	
#1001-MN09	Ownership interest in oil and gas leases	X	
#1001-MN10	Information not maintained on the Internet	X	
#1001-MN11	Acreage	X	

17 Nye County

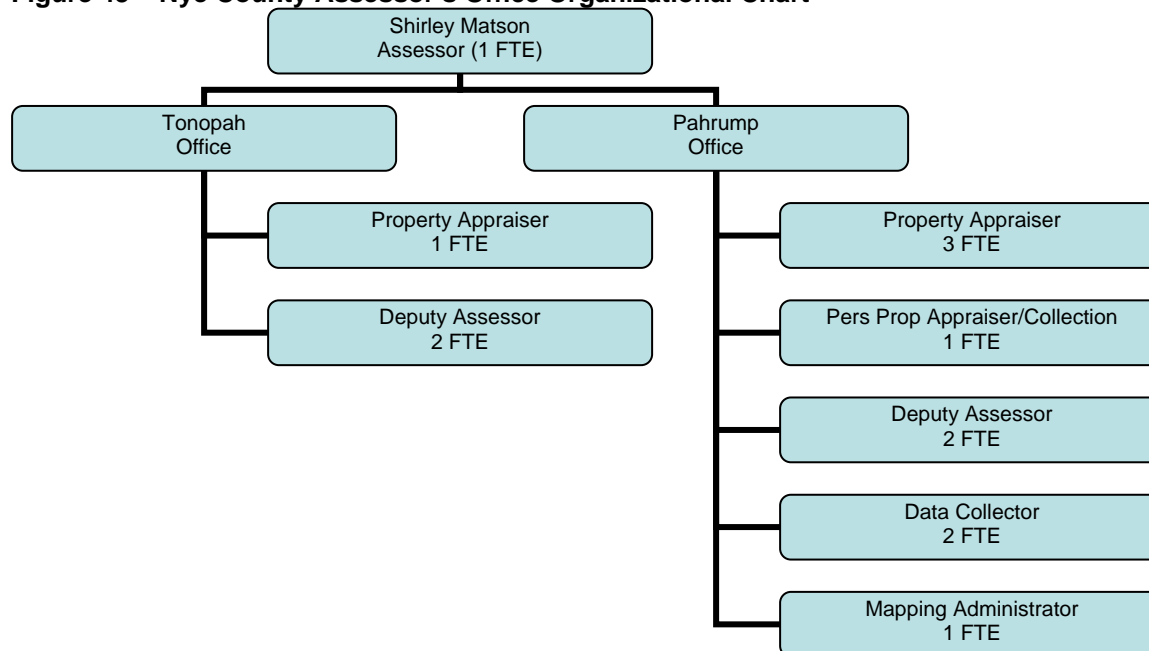


Map Source: www.wikipedia.org

17.1 Organizational Structure

The local governing body of Nye County is composed of five elected members of the Board of Commissioners. The Board selects a Chair and Vice-Chair from among the five members. All of the members of the Board serve four-year staggered terms. The Nye County Assessor is also elected to four-year terms. Other elected officials with statutory roles in the property tax system include the Clerk, District Attorney, Recorder, Sheriff, and Treasurer. The organization of the Nye County Assessor's Office is shown in the following chart.

Figure 43 – Nye County Assessor’s Office Organizational Chart



The 13 positions in the Nye County Assessor's Office represent 13 Full Time Equivalents (FTE). The Nye County Assessor's Office does not perform additional duties beyond the statutory and administrative duties of the Assessor. Maintenance of Assessor Parcel Maps is performed by Assessor's Office staff using Geographic Information Systems. The County Treasurer collects taxes due on the secured roll. The Assessor's Office collects tax due on the unsecured roll. Other portions of county government provide support services to the Assessor's Office including the Administration, Building, Finance, Human Resources, Information Technology, Planning, Public Works, and Purchasing departments.

Nye County maintains a website. The property tax roll¹⁰⁶ is posted in the website. The Nye County website contains additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. Recorded deeds are also available on the Nye website.

17.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Nye County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

¹⁰⁶ NRS 361.0445(3) and 361.0445(4)

17.3 Statistics

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Nye County Assessor's Office.

# of Parcels	Acres	Land AV ¹⁰⁷	Land TV ¹⁰⁸	Exempt Acres ¹⁰⁹
58,520	8,140,340	~\$1.3 billion	~\$3.6 billion	Not meaningful

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Nye County Assessor's Office by land use code.

Figure 44 – Nye County Summary of Land Parcels by Land Use Code

		# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)		38,497	8,004,360.59	\$ 879,282,944
Residential Single Family (20 & 22)		12,662	16,477.04	194,503,665
Residential Townhouses/Condos (21, 24, 25)		339	121.71	2,187,262
Mobile Homes (23 & 26)		3,603	6,893.19	48,104,647
Multiresidential (30 - 36)		1,579	6,572.03	31,366,176
Commercial (40 - 44)		925	10,009.58	85,787,922
Industrial (50 - 52)		43	510.29	11,402,393
Agricultural Land (60)		419	73,285.28	3,223,900
Open Space (62)		16	8,902.73	3,979,529
Patented Mining Claims (63)		284	6,970.41	788,819
All Mining Property Including Mills (64)		9	5,374.98	797,423
Aggregates, Quarries, etc. (67)		13	314.71	5,889,667
Centrally Assessed Property (70)		29	115.74	-
Intracounty Public Utilities (71)		102	432.08	1,769,830
Leases (Oil & Gas)	95			974,699
Other	1			6,150
Totals		58,520	8,140,340.36	\$ 1,270,065,026

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)¹¹⁰ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military

¹⁰⁷ AV = Assessed Value. Assessed Value is 35% of Taxable Value

¹⁰⁸ TV = Taxable Value before exemptions

¹⁰⁹ Exempt acres includes US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School and other exempt land. The Nye County Assessor reported 1,370 exempt parcels totaling 7,918,173.25 acres in the 2009-2010 Statistical Analysis of the Roll. The total area (land and water) of Nye County per the 2000 census is 18,158.73 square miles or 11,621,587 acres. The Assessor reported a total of 8,140,340 acres of land, or approximately 70%. Approximately 30% of the land in the county is not in the County records and is probably exempt land. Therefore, the amount of land and exempt land reported in the Statistical Analysis of the Roll is not meaningful.

¹¹⁰ [Chapter 69, Title 31 of the United States Code.](#)

installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 45 – Nye County Payments in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	6,472,902	6,472,477	6,472,117	6,472,117
FS (Forest Service) acres	1,944,887	1,944,887	1,944,887	1,944,886
NPS (National Park Service) acres	106,971	106,971	106,971	106,971
Total exempt acres	8,524,760	8,524,335	8,523,975	8,523,974
% of Total County acres (11,613,862)	73%	73%	73%	73%
Based on 2000 Census				
\$ Payment in Lieu	\$1,709,951	\$2,770,679	\$2,865,101	\$2,810,172
\$ PILT per acre	\$0.20	\$0.33	\$0.34	\$0.34

17.4 Findings and Recommendations

Five findings were made in this Land Valuation Performance Audit. Each finding is discussed in more detail below.

Finding #1001-NY01 – Golf course valuation

Criteria	Golf courses are automatically designated as open space for purposes of property taxation per NRS 361A. The Nevada Tax Commission annually publishes a manual for valuation of golf courses as an addendum to the open space/agriculture property manual. Assessor's are required to value these properties per NRS and NAC 361A. NAC 361A.390 describes the process to value golf course land. First, the value of the golf course land is determined in the same manner as the county assessor would determine the taxable value of the land for purposes other than open space. Second, the value of the golf course land according to the golf course tables (published by the Department) is determined by multiplying the acres of golf course land by the per acre amount in the golf course tables (\$3,260 per acre for the 2010-11 year). Finally, if the value in step one is greater than the value in step two, the open space value calculated in step two is used. If the value in step one is less than the value in step two, the value in step one less a discount is used.
Condition	Two golf courses were selected for testing in the audit. First, the County Assessor calculated the value per NAC 361A.390(1), the taxable value of golf course land determined as though the land were used for purposes other than open space. The County Assessor did not calculate the open space per NAC 361A.390(2) or \$3,260 per acre. During the audit, we calculated the values at \$3,260 per acre. In all parcels tested, the value per NAC 361A.390(1) exceeded the value calculated at \$3,260 per acre. Therefore, the values should have been set at \$3,260 per acre. Instead, the Assessor applied the open space discount factor of 0.74 per NAC 361A.390(3)(b) to the full value per NAC 361A.390(1). This resulted in overvaluation.
Effect	The taxpayer did not receive the benefit of open space assessment. This resulted on over assessment and over taxation. On the parcels for the two golf courses sampled, taxable value was overstated by \$496,110. Assuming a tax levy of \$3.1465 per \$100 of assessed value, taxes of approximately \$5,463.54 were overbilled.
Cause	The Assessor does not have policies, procedures, and processes in place to properly apply NRS 361A and NAC 361A to land underlying golf courses.
Recommendation	Design and implement policies, procedures, and processes to properly assess the land underlying golf courses per NRS and NAC 361A.

Finding #1001-NY02 – Valuation of the surface of patented mining claims

Criteria	Article 10, Section 5 of the Nevada Constitution, NRS 362.030 through 362.095, and NAC 362.410 outline the responsibilities of the county assessor for assessment of the surface of patented mines and mining claims, depending on the use of the land and whether or not an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes per NRS 362.050 is filed with the County Recorder.
Condition	The County Assessor assessed all patented lode mining claims at \$500 assessed value per claim, pursuant to NAC 362.410, however, no evidence of the “greater of” part was of the test in NAC 362.410 was documented. In the sample, one parcel containing two patented placer claims was valued at less than \$500 per claim. Also in the sample, one parcel containing one patented millsite was valued at less than \$500 per claim. The Assessor reports that processes are in place to comply with exclusions available pursuant to NAC 362.050, but owners rarely file. No filings occurred during the period covered by the audit. Documentation of the location, area, use and other attributes of the surface of each mining claim is not available in the assessor's records. Documentation is necessary to make the appropriate decisions in applying statutes and regulations. The land area of each mining claim is not reconciled with overlapping claims and recorded in the assessor's records.
Effect	Some mining claims may qualify for exemption from taxation if an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes form were filed and processed. This may have resulted in over taxation of these lands. The process of placing \$500 per claim assessed value on the surface of claims likely results in under-assessment and under taxation. For claims used for purposes other than mining or agriculture, there is likely under assessment and under taxation.
Cause	Processes are not in place to systematically evaluate (1) the use, location, area or other attributes of the surface of patented mining claims, (2) the valuation pursuant to NAC 362.410 or NRS 361.227, and (3) the exception, if applicable, per Article 10, Section 5 of the Nevada Constitution as further outlined in NRS 362.050.
Recommendation	<p>The Department recommends that the County Assessor develop and implement policies and procedures to:</p> <ol style="list-style-type: none"> 1. Document the use of the surface of each mining claim. 2. Provide Affidavit of Labor on Patented Mining Claims for Exemption of Taxes forms to owners and process forms to provide exemptions. 3. Determine the area for each mining claim and record the area in the records for each patented mining claim, including reconciliation of overlapping claims. 4. Value the surface ownership of the patented mining claim based on use and appropriately apply NAC 362.410 and/or NRS 361.227, as applicable. 5. Determine if mining claims are no longer considered mining claims for purposes of taxation due to change of use, parceling or other events. <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance.</p>

Finding #1001-NY03 – Parceling and mapping of patented mining claims

Criteria	<p>Pursuant to NRS 517.213(1), “The county recorder shall include all patented mines and mining claims in the county on the county map of mining claims in a manner which clearly distinguishes the patented mines and mining claims from the unpatented claims.”</p> <p>Pursuant to NRS 517.213(3) “A county recorder who records a map pursuant to this section shall, within 7 working days after the county recorder records the map, provide to the county assessor, at no charge, (a) a duplicate copy of the map and any supporting documents or (b) access to the digital map and any digital supporting documents. The map and supporting documents must be in a form that is acceptable to the county recorder and the county assessor.”</p> <p>Pursuant to NRS 361.189(1)(a) “All land in this State must be legally described for tax purposes by parcel number”</p> <p>Pursuant to NRS 361.189(1)(b) “Each county shall prepare and possess a complete set of maps drawn in accordance with such parceling system for all land in the County.”</p> <p>Pursuant to NRS 361.890(3) “The maps must readily disclose precisely what land is covered by any particular parcel number in the current fiscal year.”</p> <p>Pursuant to NRS 361.220, “Land may be described by metes and bounds, or other description sufficient to identify it, giving the locality and an estimate of the number of acres.”</p>
Condition	The Nye County Assessor assigns parcel numbers to patented mining claims outside of the regular parcel system. Assessor Parcel Maps do not show the relationship of surface ownership of patented mining claims to other surface ownership, including reconciliation of overlapping claims.
Effect	The Assessor Parcel Maps do not readily disclose the location of the surface ownership or precisely what land is covered by a particular parcel number. The lack of integration of patented mining claims with other land ownership makes accurate valuation of the surface of patented mining claims difficult.
Cause	The process of reconciling the surface ownership of each patented mining claims has not been undertaken. The transfer of this information in to the parcel system has not been undertaken. The process of integrating patenting mining claims into parcel maps has not been undertaken.
Recommendation	<p>Identify and map the surface of patented mining claims by reconciling surface ownership of overlapping claims and incorporate the results into the regular parcel numbering system, including estimates of actual surface acreage owned. Update the parcel database accordingly.</p> <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance.</p>

Finding #1001-NY04 – Supporting documentation for site adjustments

Criteria	NRS 361.227 allows for adjustment on individual parcels within a defined market area to adjust the values obtained in the mass appraisal analysis for specific conditions unique to a particular parcel. NRS 361.227 requires supporting documentation for any adjustments.
Condition	Adjustments are made to certain parcels without the appropriate supporting documentation of the values
Effect	Most adjustments are downward for negative influences. This generally results in undervaluations.
Cause	The Nye County Assessor does not perform the necessary analysis to support adjustments.
Recommendation	The Assessor should establish procedures to determine the influences on particular parcels within a defined market area and to retain documentation of the adjustments. This issue was addressed in the 2007-2008 Report of Assessment Ratio Study on page 16.

Finding #1001-NY05 – Certain land not included in parcel system

Criteria	NRS 361.189(1)(a) requires the Nye County Assessor to account for all the land in Nye County through the parcel system. NRS 361.189(1)(b) requires the Nye County Assessor to prepare and possess a complete set of maps for all parcels in Nye County.
Condition	The Nye County Assessor has not assigned parcel numbers to all land in Nye County. For the most part, land exempt from taxation is not listed or mapped.
Effect	The parcel maps are incomplete and the statistical analysis of the roll is incomplete.
Cause	The County Assessor began the process to map all land and to change the parcel numbering system. However, this project has been delayed due to budget limitations.
Recommendation	The County Assessor should complete the project using the GIS system. The areas should then be incorporated into the Assessor Parcel Maps and into the database (Advanced Data Systems) used for valuation and billing. Values should be assigned to exempt land, regardless of the exemption. One source of data that may be helpful is the BLM fair value of leased land in BLM's Right-of-Way and lease programs that contain estimated value of lands for each county in the United States. According to this system, Nye County is classified as rent zone 4 indicating a land value of \$1,500 per acre. The BLM fair market value system was part of the Federal Land Policy and Management Act of 1976 (FLPMA),
Recommendation	Nye County should consider appropriating funds from the Assessor Technology Fund to provide additional online access to information similar to the systems used by other ADS customers. The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance.

17.5 Audit Methodology

To gain an understanding of the operations of the Nye County Assessor's Office, we interviewed the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also reviewed information available on the Nye County website, the Statistical Analysis of the Roll, and prior office reviews. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

Nye County substantially changed its processes for land valuation from the 10-11 year to the 11-12 year. Nye County retained a consultant to assist in revising the processes for land valuation. The audit used the 11-12 year for testing in order to obtain information on the revised processes.

To evaluate the effectiveness of the Assessor's Office sales data collection processes, we traced 59 deeds randomly selected from the Nye County Recorder's records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. There were no exceptions.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%¹¹¹ with staff. We also obtained copies of any sales questionnaires related to the 59 deeds and reviewed other evidence of verification processes for the sales. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we reviewed the excel spreadsheet listing the market areas together with the sales and analysis for each market area. The sales comparison approach was used in each of the market areas. We reviewed, in detail, the documentation for all market areas and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. Finding # 1001-NY04 resulted from these audit procedures.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value¹¹² for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

¹¹¹ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

¹¹² The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	39
Residential Single Family (20 & 22)	15
Residential Townhouse Condo(21,24,25)	2
Mobile Homes (23 & 26)	6
Multiresidential (30 - 36)	4
Commercial (40 – 44)	4
Industrial (50 – 52)	3
Agricultural Land (60)	5
Open Space	0
Golf Courses (various)	
Patented Mining Claims (63)	3
All Mining Property Including Mills (64)	2
Aggregates Quarries (67)	14
Centrally Assessed Property (70)	29
Intracounty Public Utilities (71)	2
Centrally Assess local portion (72)	0
Possessory Interests	0
Leases (Oil & Gas)	3
Geothermal	0
TOTAL	131

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space land, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. The exceptions noted in Findings # 1001-NY01, 1001-N Y02, 1001-NY03, and 1001-NY05 resulted from this audit work.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we traced two parcel maps selected from items on the Nye County Commission agenda through the processes to record the split and allocate values to the new parcels. We also traced one zone change from an item on the Nye County Commission agenda through to the Assessor's records. There were no exceptions.

To determine if the Nye County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the five parcels selected. We also recalculated the assessment on the nine parcels selected. There were no exceptions.

To determine if the Nye County Assessor's Office effectively determined properties eligible for the subdivision discount, we reviewed the subdivision discount files. There were no exceptions.

The Nye County Assessor reported that the abstraction method was not used to determine valuations but that abstraction was occasionally used to test the validity of values obtained from other methods. We did not encounter use of the abstraction method in any of the parcels sampled.

The Nye County Assessor reported that the allocation method was used to determine valuations and to test the validity of values obtained from other methods. We reviewed the information, primarily paired sales analysis and sales-resales analysis used to determine allocation ratios. There were no exceptions.

The Nye County Assessor reported that the Cost of Development method is not used. We did not encounter use of the Cost of Development method in any of the parcels sampled.

The Nye County Assessor reported that the Capitalization of Ground Rents method is not used. We did not encounter use of the Capitalization of Ground Rents method in any of the parcels sampled.

The Nye County Assessor reported that the Land Residual method is not used. We did not encounter use of the Land Residual method in any of the parcels sampled.

The Nye County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling of parcels indicated that land was reappraised.

To determine if changes to the roll from actions of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate action by the Board of Commissioners. To determine if parcel maps or subdivision maps were changed in the assessor records, we traced two changes through the system. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Nye County Assessor. On January 3, 2012 we met with the Nye County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report included:

Terry Rubald, Chief-Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

17.6 Assessor's Response

PAHRUMP OFFICE
775.751.7060
160 N Floyd Dr
Pahrump, Nevada 89060

SHIRLEY MATSON
NYE COUNTY ASSESSOR



TONOPAH OFFICE
775.482.8174
101 Radar Rd.
Tonopah, Nevada 89049

February 7, 2012

Bonnie Duke CPA
Auditor II
Nevada Department of Taxation,
Division of Assessment Standards
1550 College Parkway Carson City NV 89706

Nye County Response to audit Recommendations 17.6

#1001-NY01: Golf course valuations

Policies, Procedures and a Process to properly apply NRS 361A and NAC 361A, will be established. I will send out a memo discussing it and make a form with instructions for the two methods where the appraiser will insert the proper calculations when valuing a golf course. It will be signed by the appraiser and become a permanent document in the appraisal file.

#1001-NY02: Valuation of the surface of patented mining claims

Along with the mapping administrator I am working on an idea to accomplish this, I have been given two names of individuals in the community that have extensive knowledge of the mines that might be able to help us identify and document the use.

Affidavits of Labor for Patented Mining Claims forms will be placed in a more propionate and obvious place in each office.

This goes along with Paragraph one above and in conjunction with one above.

We will determine the surface of the patented mining claims by using NAC 362.410 and or 361.227.

Set out an initial long term plan to determine the taxation due to change of use and discuss a way to implement it.

#1001-NY03: Parceling and mapping patented mining claims

Again this is something that we naturally be done in conjunction with the above.

"Nye County is equal Opportunity Employer and Provider"

#1001-NY04: Supporting documentation of site adjustments

I will insist on complete documentation for site adjustments, adequate notes in as400 and keep that documentation in the appraisal file. I will be sure to go over circumstances for the site adjustment with Debbie Orrick mapping administrator as often as possible.

#1001-NY05:

With this process we have already made progress, BLM has given us maps by which Debbie has started working up the maps by township and range for the Test Site. For the Death Valley area it will be much easier as more information is assessable. We need to research in more detail lands BLM has given to Fish & Wildlife but we will be able to get it done in less than six months.

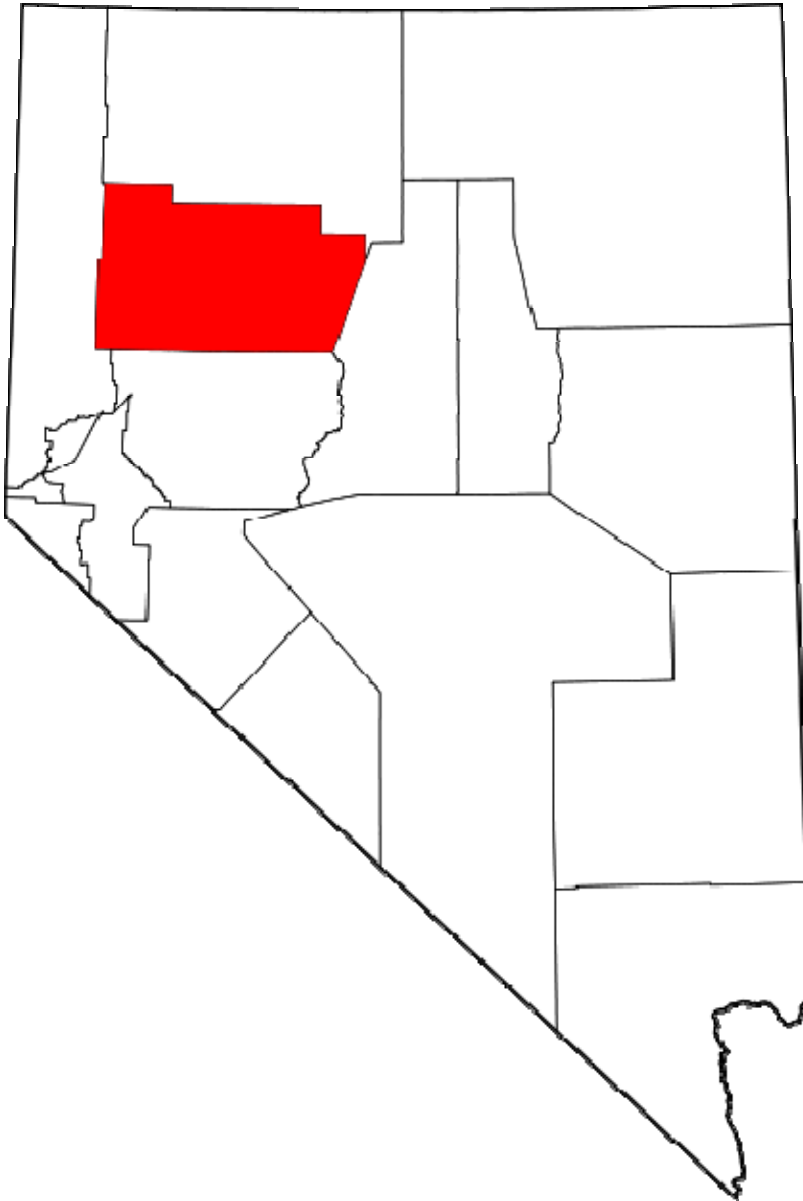

Shirley L. Matson

Nye County Assessor

Nye County Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
#1001-NY01	Golf course valuation	X	
#1001-NY02	Valuation of the surface of patented mining claims	X	
#1001-NY03	Parceling and mapping of patented mining claims	X	
#1001-NY04	Supporting documentation for site adjustments	X	
#1001-NY05	Certain land not included in parcel system	X	

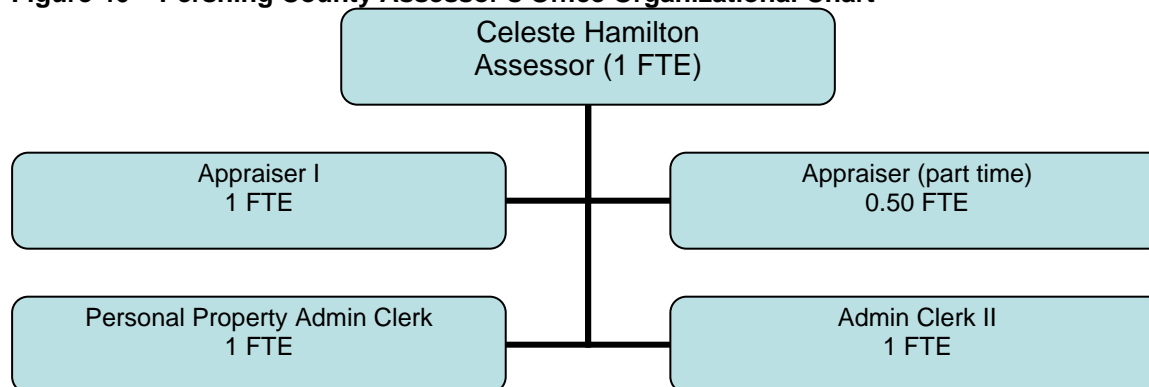
18 Pershing County



Map Source: www.wikipedia.org

18.1 Organizational Structure

The local governing body is composed of three elected members of the Board of Commissioners. The Board selects a Chair and Vice-Chair from among the three members. All of the members of the Board serve four-year staggered terms. The Assessor is also elected to four-year terms. Other elected officials with statutory roles in the property tax system include the Clerk-Treasurer, District Attorney, Recorder-Auditor and Sheriff.

Figure 46 – Pershing County Assessor’s Office Organizational Chart

The five positions in the Pershing County Assessor’s Office represent 4.5 Full Time Equivalents (FTE). In addition to the statutory and administrative duties of Assessor, the Pershing County Assessor’s Office also operates a Department of Motor Vehicles branch office. The County Treasurer collects the taxes due on both the secured and unsecured rolls. Maintenance of assessor parcel maps is performed by an outside contractor. Other portions of county government provide support services to the Assessor’s Office including the other elected officials, county administration, planning and building.

Pershing County maintains a website. The property tax roll¹¹³ is posted in the website. The Pershing County website contains additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. Recorded deeds are NOT available on the Pershing County website.

18.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Pershing County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

18.3 Statistics

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Pershing County Assessor’s Office as of the lien date of July 1, 2009 for the 2009-2010 Roll.

# of Parcels	Acres	Land AV ¹¹⁴	Land TV ¹¹⁵	Exempt Acres ¹¹⁶
11,847	3,800,430	~\$146 million	~\$417 million	2,902,080

¹¹³ NRS 361.0445(3) and 361.0445(4)

¹¹⁴ AV = Assessed Value. Assessed Value is 35% of Taxable Value

¹¹⁵ TV = Taxable Value before exemptions

¹¹⁶ Exempt acres include US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, Church, and other. In the 2009-2010 Statistical Analysis of the Roll, the Pershing County Assessor reported 1,287 exempt parcels totaling 2,902,079.60 acres.

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Pershing County Assessor's Office by land use code.

Figure 47 – Pershing County Summary of Land Parcels by Land Use Code

		# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)		8,396	3,169,105.01	\$ 127,169,044
Residential Single Family (20 & 22)		962	6,055.85	5,011,684
Residential Townhouses/Condos (21, 24, 25)		1	3.61	2,630
Mobile Homes (23 & 26)		511	7,275.15	2,037,752
Multiresidential (30 - 36)		138	1,739.96	1,090,838
Commercial (40 - 44)		148	1,675.33	1,525,342
Industrial (50 - 52)		39	1,676.88	567,791
Agricultural Land (60)		1,485	598,864.02	7,873,460
Open Space (62)		5	19.09	75,005
Patented Mining Claims (63)		69	90.00	172,550
All Mining Property Including Mills (64)		58	10,914.37	414,313
Aggregates, Quarries, etc. (67)		5	2,029.83	80,910
Centrally Assessed Property (70)		29	970.49	74,267
Centrally Assessed Local Portion (72)		1	10.00	3,605
Leases (Oil & Gas)	2			1,610
Totals		11,847	3,800,429.59	\$ 146,100,801

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)¹¹⁷ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 48 – Pershing County Payments in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	2,909,419	2,909,419	2,908,621	2,908,621
BOR (Bureau of Reclamation) acres	19,180	19,180	19,180	19,180
Total exempt acres	2,928,599	2,928,599	2,927,801	2,927,801
% of Total County acres (3,863,398)	76%	76%	76%	76%
Based on 2000 Census				
\$ Payment in Lieu	\$543,913	\$862,440	\$884,622	\$905,837
\$ PILT per acre	\$0.19	\$0.29	\$0.30	\$0.31

¹¹⁷ [Chapter 69, Title 31 of the United States Code.](#)

18.4 Findings and Recommendations

Seven findings were made in the Land Valuation Performance Audit. Each finding is discussed in more detail on the following pages.

Finding #1001-PE01 – Valuation of the surface of patented mining claims

Criteria	Article 10, Section 5 of the Nevada Constitution, NRS 362.030 through 362.095, and NAC 362.410 outline the responsibilities of the county assessor for assessment of the surface of patented mines and mining claims, depending on the use of the land and whether or not an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes per NRS 362.050 is filed with the County Recorder.
Condition	The County Assessor assessed all patented mining claims at \$500 assessed value per claim, pursuant to NAC 362.410, however, no evidence of the “greater of” part was of the test in NAC 362.410 was documented. The Assessor reports that processes are in place to comply with exclusions available pursuant to NAC 362.050, but owners rarely file. No filings occurred during the period covered by the audit. Documentation of the use of the surface of each mining claim is not available in the assessor’s records. Documentation of the land use, location, area, and other attributes is necessary to make the appropriate decisions in applying statutes and regulations. The land area of each mining claim is not reconciled with overlapping claims and recorded in the assessor’s records.
Effect	Some mining claims may qualify for exemption from taxation if an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes form were filed and processed. This may have resulted in over taxation of these lands. The process of placing \$500 per claim assessed value on the surface of claims likely results in under-assessment and under taxation. For claims used for purposes other than mining or agriculture, there is likely under assessment and under taxation.
Cause	Processes are not in place to systematically evaluate (1) the use, location, area and other attributes of the surface of patented mining claims, (2) the valuation pursuant to NAC 362.410 or NRS 361.227, and (3) the exception, if applicable, per Article 10, Section 5 of the Nevada Constitution as further outlined in NRS 362.050.
Recommendation	<p>The Department recommends that the County Assessor develop and implement policies and procedures to:</p> <ol style="list-style-type: none"> 1. Document the use, area, location and other attributes of the surface of each mining claim. 2. Provide Affidavit of Labor on Patented Mining Claims for Exemption of Taxes forms to owners and process forms to provide exemptions. 3. Determine the area for each mining claim and record the area in the records for each patented mining claim, including reconciliation of overlapping claims. 4. Determine if patented mining claims are no longer considered patented mining claims for purposes of taxation due to changes of use or subsequent parceling. 5. Value the surface ownership of the patented mining claim and appropriately apply NAC 362.410, if applicable. <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance.</p>

Finding #1001-PE02 – Parceling and mapping of patented mining claims

Criteria	<p>Pursuant to NRS 517.213(1), “The county recorder shall include all patented mines and mining claims in the county on the county map of mining claims in a manner which clearly distinguishes the patented mines and mining claims from the unpatented claims.”</p> <p>Pursuant to NRS 517.213(3) “A county recorder who records a map pursuant to this section shall, within 7 working days after the county recorder records the map, provide to the county assessor, at no charge, (a) a duplicate copy of the map and any supporting documents or (b) access to the digital map and any digital supporting documents. The map and supporting documents must be in a form that is acceptable to the county recorder and the county assessor.”</p> <p>Pursuant to NRS 361.189(1)(a) “All land in this State must be legally described for tax purposes by parcel number”</p> <p>Pursuant to NRS 361.189(1)(b) “Each county shall prepare and possess a complete set of maps drawn in accordance with such parceling system for all land in the County.”</p> <p>Pursuant to NRS 361.890(3) “The maps must readily disclose precisely what land is covered by any particular parcel number in the current fiscal year.”</p> <p>Pursuant to NRS 361.220, “Land may be described by metes and bounds, or other description sufficient to identify it, giving the locality and an estimate of the number of acres.”</p>
Condition	The Pershing County Assessor assigns parcel numbers to patented mining claims outside of the regular parcel system. Assessor Parcel Maps do not show the relationship of surface ownership of patented mining claims to other surface ownership, including reconciliation of overlapping claims.
Effect	The Assessor Parcel Maps do not readily disclose the location of the surface ownership or precisely what land is covered by a particular parcel number. The lack of integration of patented mining claims with other land ownership makes accurate valuation of the surface of patented mining claims difficult.
Cause	The process of reconciling the surface ownership of each patented mining claims has not been undertaken. The transfer of this information in to the parcel system has not been undertaken. The process of integrating patenting mining claims into parcel maps has not been undertaken.
Recommendation	<p>Identify and map the surface of patented mining claims by reconciling surface ownership of overlapping claims and incorporate the results into the regular parcel numbering system, including estimates of actual surface acreage owned. Update the parcel database accordingly.</p> <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance. The Department intends to facilitate efforts toward compliance, if possible.</p>

Finding #1001-PE03 – Process to “post” values from mass appraisal analysis to individual parcels in the defined market area

Criteria	NRS 361.227 requires the Pershing County Assessor to determine the taxable value of properties using mass appraisal techniques and to “post” these values to individual parcels within the given market area
Condition	Testing indicated that the values on individual parcels within a given market area did not match the values determined in the mass appraisal analysis.
Effect	The resulting valuations on certain parcels were not correct. In general, this resulted in under assessment; however, either under assessment or over assessment might occur do to the lack of appropriate procedures to “post” the values.
Cause	The valuation process is largely manual and the update is entered into the appraisal/billing computerized system manually.
Recommendation	Establish procedures to assign values to each parcel using an excel spreadsheet and utilize the procedures available in the ADS system to upload the values into the computerized system.

Finding #1001-PE04 – Supporting documentation for site adjustments

Criteria	NRS 361.227 allows for adjustment on individual parcels within a defined market area to adjust the values obtained in the mass appraisal analysis for specific conditions unique to a particular parcel. NRS 361.227 requires supporting documentation for any adjustments.
Condition	Adjustments are made to certain parcels without the appropriate supporting documentation of the values
Effect	Most adjustments are downward for negative influences. This generally results in under assessment.
Cause	The Pershing County Assessor does not perform the necessary analysis to support adjustments.
Recommendation	The Assessor should establish procedures to determine the influences on particular parcels within a defined market area and to retain documentation of the adjustments.

Finding #1001-PE05 – Sales Data Collection Process

Criteria	Generally, NAC 361.118 requires a county assessor to determine the full cash value of land by applying the sales comparison approach. NAC 361.118(2) list the types of information the assessor should collect and NAC 361.118(3) lists procedures that an assessor may use to verify the accuracy of the data collected. Systems to identify, record, verify, and document sales are integral to the sales comparison approach.
Condition	A sample of 59 deeds was traced through the Assessor's records. Of the 59 transactions, 19 (32%) were properly marked as non-sales, 4 (7%) were non-sales that were not marked as non-sales in the system, 1 (2%) contained a grantor name mismatch, 1 (2%) contain an invalid date, 17 (29%) were properly recorded and within the 20%-40% criteria, 7 (12%) were properly recorded with ratios greater than 40%, 5 (8%) were properly recorded with ratios less than 20%, and 5 (8%) were transfers of agricultural land.
Effect	Accurate sales data is necessary to properly apply the sales comparison approach to land value. Incomplete or inaccurate sales data may lead to erroneous valuations.
Cause	Policies and procedures are not in place to ensure that sales are identified, recorded, and documented. The program (Advanced Data Systems) appears to allow invalid dates during data entry.
Recommendation	Establish and implement policies and procedures to ensure that sales are identified, recorded, verified, and appropriately documented. Establish and implement policies and procedures to identify and flag declarations of value that use the assessor records as the basis for the real property transfer tax and mark these transactions as non-sales. Investigate computer controls to flag transactions with invalid dates.

Finding #1001-PE06 – Property tax adjustment used to “pay” for county use of facility

Criteria	NRS 361.445 states that the assessment made by the county assessor and by the Department, as equalized according to law, shall be the only basis for property taxation by any city, town, school district, road district in that county.
Condition	A taxable entity owns a shooting range. The County Sheriff's department uses the shooting range without charge in exchange for a reduced assessed value on the property owned by the taxable entity. This effectively uses the property tax system to “pay” for county use of the facility.
Effect	In adjusting the value, the other units of local government within the county do not receive the revenue due to them under the statutes and therefore, the other units of local government effectively also “pay” the bill for the county use of the gun range.
Cause	The County Commissioners and County Assessor may not understand the ramifications of using the property tax system as a bargaining chip and the impact on other units of local government.
Recommendation	Assess the shooting range according to applicable statutes and regulations. The County and the owner of the property should negotiate an arrangement that does not involve the property tax system.

Finding #1001-PE07 – Subdivision discount process inadequate

Criteria	NRS 361.227(2)(b) provides that the unit of appraisal must be a single parcel unless the parcel is one of a group of contiguous parcels which qualifies for valuation as a subdivision pursuant to the regulations of the Nevada Tax Commission. NAC 361.129 and 361.1295 are the regulations adopted by the Nevada Tax Commission for subdivisions. NAC 361.129 lists criteria to determine a “qualified” subdivision. NAC 361.1295 provide three different methods to determine the value. The most common method used is the discount allowed by NAC 361.1295(1)(c). Under this method, the estimated retail selling price of a parcel is reduced by a percentage for the expected absorption period of the parcels.
Condition	The Pershing County Assessors does not annually update the subdivision discount analysis. The subdivision analysis provide during the audit was dated 1998. Subdivision discounts have remained on some of the parcels sampled during the audit even though the discount should not have been applied.
Effect	Parcels are under assessed because the discount is applied to properties that do not qualify for the discount.
Cause	Policies and procedures are not in place to annually perform an analysis of subdivisions and to apply or remove discounts on parcel within subdivisions.
Recommendation	Develop and implement policies and procedures to annually perform and analysis of subdivisions, including processes to obtain the needed information to apply the discount. Remove the subdivision discount from parcels that do not qualify for the discount.

18.5 Audit Methodology

To gain an understanding of the operations of the Pershing County Assessor's Office, we interviewed the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also reviewed information available on the Pershing County website, the Statistical Analysis of the Roll, and prior office reviews. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

To evaluate the effectiveness of the Assessor's Office sales data collection processes, we traced 59 deeds randomly selected from the Pershing County Recorder's records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. Finding #1001-PE05 resulted from these audit procedures.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%¹¹⁸ with staff. We also obtained copies of any sales questionnaires related to the 59 deeds and reviewed other evidence of verification processes for the sales. Finding #1001-PE05 resulted from these audit procedures.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we reviewed the excel spreadsheet listing the market areas together with the sales and analysis for each market area. The sales comparison approach was used in each of the market areas. We reviewed, in detail, the documentation for all market areas and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. Finding # 1001-PE04 resulted from these audit procedures.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value¹¹⁹ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

¹¹⁸ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

¹¹⁹ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	42
Residential Single Family (20 & 22)	8
Residential Townhouse Condo(21,24,25)	1
Mobile Homes (23 & 26)	6
Multiresidential (30 - 36)	3
Commercial (40 – 44)	4
Industrial (50 – 52)	2
Agricultural Land (60)	8
Open Space	0
Golf Courses (various)	0
Patented Mining Claims (63)	9
All Mining Property Including Mills (64)	2
Aggregates Quarries (67)	7
Centrally Assessed Property (70)	29
Intracounty Public Utilities (71)	0
Centrally Assess local portion (72)	1
Possessory Interests	0
Leases (Oil & Gas)	0
Geothermal	0
TOTAL	122

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space land, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. The exceptions noted in Findings # 1001-PE01, 1001-PE02, 1001-PE03, 1001-PE04, 1001-PE06 and 1001-PE07 resulted from these audit procedures.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we traced two parcel maps selected from items on the Pershing County Commission agenda through the processes to record the split and allocate values to the new parcels. We also traced one zone change from an item on the Pershing County Commission agenda through to the Assessor's records. There were no exceptions.

To determine if the Pershing County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the eight parcels selected. We also recalculated the assessment on the eight parcels selected. There were no exceptions.

To determine if the Pershing County Assessor's Office effectively determined properties eligible for the subdivision discount, we reviewed the subdivision discount files. Finding #1001-PE07 resulted from these audit procedures.

The Pershing County Assessor reported that the abstraction method is not used. We did not encounter use of the abstraction method in any of the parcels sampled.

The Pershing County Assessor reported that the allocation method was not used. We did not encounter use of the allocation method in any of the parcels sampled.

The Pershing County Assessor reported that the Cost of Development method is not used. We did not encounter use of the Cost of Development method in any of the parcels sampled.

The Pershing County Assessor reported that the Capitalization of Ground Rents method is not used. We did not encounter use of the Capitalization of Ground Rents method in any of the parcels sampled.

The Pershing County Assessor reported that the Land Residual method is not used. We did not encounter use of the Land Residual method in any of the parcels sampled.

The Pershing County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling of parcels indicated that land was reappraised.

To determine if changes to the roll from actions of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate action by the Board of Commissioners. To determine if parcel maps or subdivision maps were changed in the assessor records, we traced two changes through the system. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Pershing County Assessor. On December 19, 2011 we met with the Pershing County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report included:

Terry Rubald, Chief-Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

18.6 Assessor's Response

PERSHING COUNTY ASSESSOR

Celeste Hamilton

P O Box 89

Lovelock, NV 89419

State of Nevada

Department of Taxation

1550 College Parkway Suite 115

Carson City, NV 89706-7937

Att: Terry Rubald

Following is Pershing County Assessor's response to the Department of Taxations, Division of Assessment Standards Performance Audit-#1001 Land Valuation.

Pages 18-5- 18-6 Finding #1001-PE01- PE02 Valuation of the surface of patented mining claims.

Assessor's response:

Patented mining claims have been mapped through our GIS data base. The patented claims have been located and acreage calculated. Overlapping claims are also plotted. Assessor parcel maps will be redrawn to locate the patented mining claims. DOAS indicated that they will give direction as to how to value the overlapping claims that have separate owners. The Assessor checked if the patented claims may have qualified for an exemption due to a filing of an Affidavit of Labor and found that none qualified. Legal descriptions of the patented claims are noted in our files and data base.

Page 18-7 Finding#1001-PE03-Process to “post” values from mass appraisal analysis to individual parcels in the defined market area.

Assessor’s response:

The office is developing procedures to insure that correct values are posted. We have and will use the excel spreadsheet available in the ADS system to upload the values to the AS400 database. We will establish better “quality control”.

Page 18-7 Finding #1001-PE04-Supporting documentation for site adjustments.

The Assessor will follow the Department’s recommendation.

Page 18-8 Finding#1001-PE05-Sales Data Collection Process

Assessor’s response:

The Assessor will work with the computer programmers and the Assessor’s Computer Consortium to see if an error message will occur if an invalid date is entered. Policies and procedures are in place to properly record sales. Sales verification letters are mailed to the buyer and sellers to determine if it is an arms-length sale. As far as determining if the person recording the document used the assessor records as the basis for the real property transfer tax or not, the recorder instructs the person recording the document that they are not allowed to use the assessor’s value.

Page 18-8 Finding#1001-PE06-Property tax adjustment used to “pay” for county use of facility.

This condition has been corrected.

Page 18-9 Finding#1001-PE07-Subdivision discount process inadequate

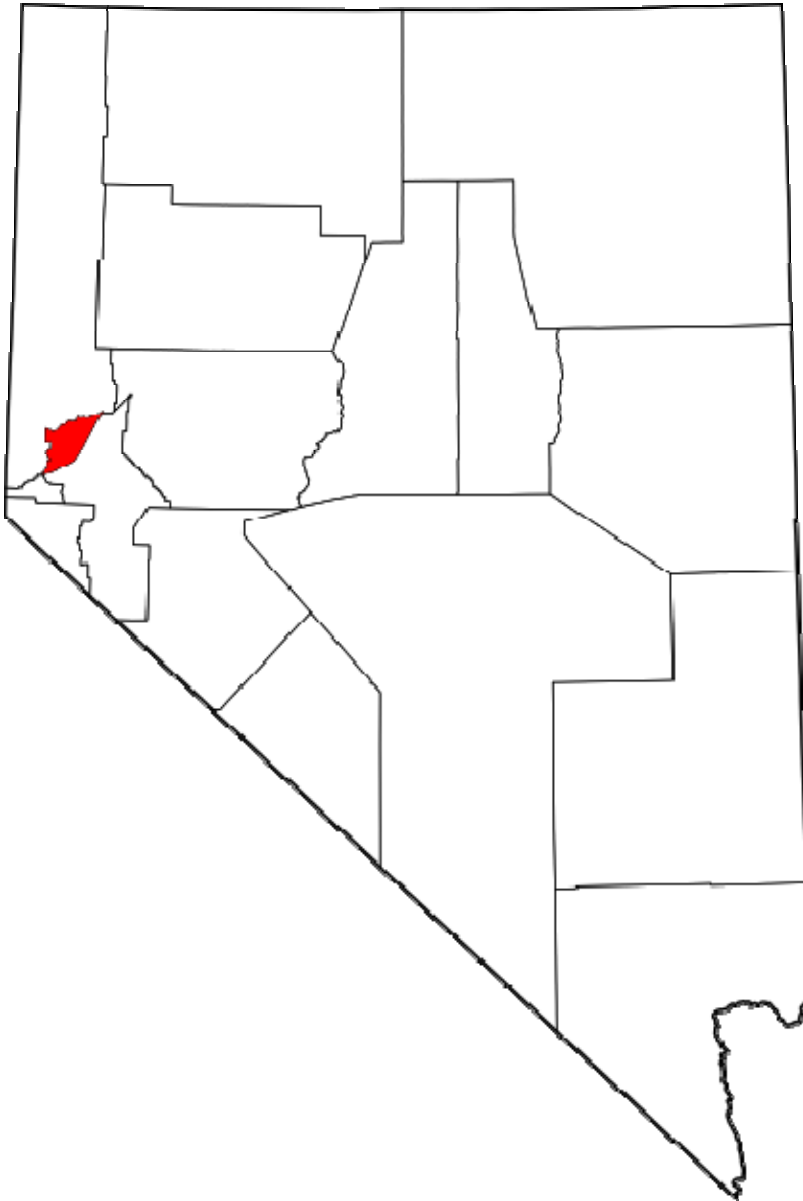
Assessor’s response:

We have questionnaires that are mailed to the developers when they may qualify for a developer’s discount. It asks for all of the information that we need to apply the discount properly. Subdivisions were analyzed to determine if some of the parcels were not removed from the discounted value.

Pershing County Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
#1001-PE01	Patented Mining Claim Valuation	X	
#1001-PE02	Patented Mining Claim Mapping	X	
#1001-PE03	Posting Errors	X	
#1001-PE04	Supporting Documentation for Site Adjustments	X	
#1001-PE05	Sales data collection process	X	
#1001-PE06	Property tax adjustment used to "pay" for county use of facility	X	
#1001-PE07	Subdivision Discount Process	X	
	Totals	X	

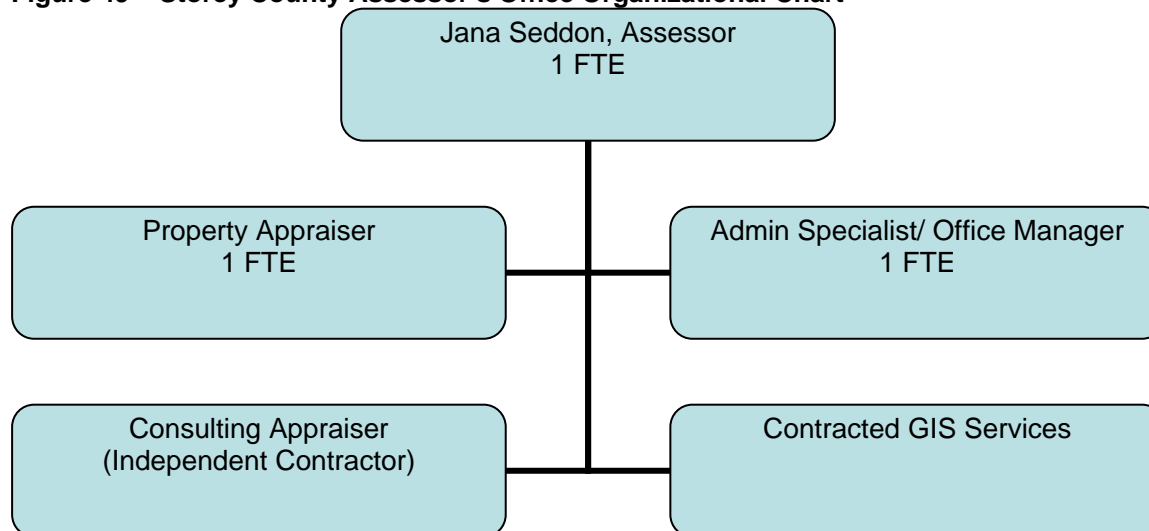
19 Storey County



Map Source: www.wikipedia.org

19.1 Organizational Structure

The local governing body is composed of three elected members of the Board of Commissioners. The Board selects a Chair and Vice-Chair from among the three members. All of the members of the Board serve 4-year staggered terms. The Storey County Assessor is also elected to 4-year terms. Other elected offices with statutory responsibilities in the property tax system include Clerk/Treasurer, District Attorney, Recorder, and Sheriff. The following organization chart shows the structure of the Storey County Assessor's Office.

Figure 49 – Storey County Assessor's Office Organizational Chart

The Storey County Assessor's Office consists of three Full Time positions (3 FTE). In addition to the statutory duties of the Assessor, the office provides Department of Motor Vehicle services and collection of the unsecured roll. Assessor Office personnel update parcel maps manually, although an effort started to update maps through a GIS contractor. Certain commercial property appraisal is performed by a consultant under a contract.

Storey County maintains a website. The property tax roll¹²⁰ is posted in the website. The Storey County website contains additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. Recorded deeds are also available on the Storey County website.

19.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Storey County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

19.3 Statistics

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Storey County Assessor's Office.

# of Parcels	Acres	Land AV ¹²¹	Land TV ¹²²	Exempt Acres ¹²³
5,247	167,557	~\$213 million	~\$610 million	21,477

¹²⁰ NRS 361.0445(3) and 361.0445(4)

¹²¹ AV = Assessed Value. Assessed Value is 35% of Taxable Value

¹²² TV = Taxable Value before exemptions

¹²³ Exempt acres includes US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, Church, and other. The Storey County Assessor reported 306 exempt parcels totaling 21,476.51 acres in the 2009-2010 Statistical Analysis of the Roll.

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Storey County Assessor's Office by land use code.

Figure 50 – Storey County Summary of Parcels by Land Use Code

		# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)		2,747	91,574.93	\$ 134,475,372
Residential Single Family (20 & 22)		1,544	3,864.95	34,809,757
Residential Townhouses/Condos (21, 24, 25)		9	2.19	-
Mobile Homes (23 & 26)		126	948.48	3,568,425
Multiresidential (30 - 36)		64	309.28	1,525,594
Commercial (40 - 44)		149	443.54	5,866,300
Industrial (50 - 52)		329	9,253.95	30,154,846
Agricultural Land (60)		17	59,546.26	173,954
Patented Mining Claims (63)		225	16.46	105,509
All Mining Property Including Mills (64)		14	925.98	258,102
Aggregates, Quarries, etc. (67)		4	176.09	835,532
Centrally Assessed Property (70)		14	439.65	-
Intracounty Public Utilities (71)		5	55.41	1,638,815
Supplmental Real	2			552,408
Possessory Interests	1			3,000
Totals		5,247	167,557.17	\$ 213,967,614

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)¹²⁴ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 51 – Storey County Payments in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	14,111	14,111	14,111	14,111
BOR (Bureau of Reclamation) acres	399	399	399	399
Total exempt acres	14,510	14,510	14,510	14,510
% of Total County acres (168,608)	9%	9%	9%	9%
Based on 2000 Census				
\$ Payment in Lieu	\$20,933	\$33,228	\$34,015	\$34,790
\$ PILT per acre	\$1.44	\$2.29	\$2.34	\$2.40

¹²⁴ [Chapter 69, Title 31 of the United States Code.](#)

19.4 Findings and Recommendations

Four findings were made in this Land Valuation Performance Audit. Each finding is discussed in more detail on the following pages.

Finding #1001-ST01 – Valuation of the surface of patented mining claims

Criteria	Article 10, Section 5 of the Nevada Constitution, NRS 362.030 through 362.095, and NAC 362.410 outline the responsibilities of the county assessor for assessment of the surface of patented mines and mining claims, depending on the use of the land and whether or not an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes per NRS 362.050 is filed with the County Recorder.
Condition	The County Assessor assessed all patented mining claims at \$500 assessed value per claim, pursuant to NAC 362.410, however, no evidence of the “greater of” part was of the test in NAC 362.410 was documented. The Assessor reports that processes are in place to comply with exclusions available pursuant to NAC 362.050, but owners rarely file. No filings occurred during the period covered by the audit. Documentation of the use, location, area, and other attributes of the surface of each mining claim is not available in the assessor's records. Documentation is necessary to make the appropriate decisions in applying statutes and regulations. The land area of each mining claim is not reconciled with overlapping claims and recorded in the assessor's records.
Effect	Some mining claims may qualify for exemption from taxation if an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes form was filed and processed. This may have resulted in over taxation of these lands. The process of placing \$500 per claim assessed value on the surface of claims likely results in under-assessment and under taxation. For claims used for purposes other than mining or agriculture, there is likely under assessment and under taxation.
Cause	Processes are not in place to systematically evaluate (1) the use, location, area, and other attributes of the surface of patented mining claims, (2) the valuation pursuant to NAC 362.410 or NRS 361.227, and (3) the exception, if applicable, per Article 10, Section 5 of the Nevada Constitution as further outlined in NRS 362.050.
Recommendation	<p>The Department recommends that the County Assessor develop and implement policies and procedures to:</p> <ol style="list-style-type: none"> 1. Document the use, location, area, and other attributes of the surface of each mining claim. 2. Provide Affidavit of Labor on Patented Mining Claims for Exemption of Taxes forms to owners and process forms to provide exemptions. 3. Determine the area for each mining claim and record the area in the records for each patented mining claim, including reconciliation of overlapping claims. 4. Determine if patented mining claims are not longer considered patented mining claims for purposes of taxation due to changes in use or subsequent parceling. 5. Value the surface ownership of the patented mining claims and appropriately apply NAC 362.410, if applicable. <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance.</p>

Finding #1001-ST02 –Parceling and mapping of patented mining claims

Criteria	<p>Pursuant to NRS 517.213(1), “The county recorder shall include all patented mines and mining claims in the county on the county map of mining claims in a manner which clearly distinguishes the patented mines and mining claims from the unpatented claims.”</p> <p>Pursuant to NRS 517.213(3) “A county recorder who records a map pursuant to this section shall, within 7 working days after the county recorder records the map, provide to the county assessor, at no charge, (a) a duplicate copy of the map and any supporting documents or (b) access to the digital map and any digital supporting documents. The map and supporting documents must be in a form that is acceptable to the county recorder and the county assessor.”</p> <p>Pursuant to NRS 361.189(1)(a) “All land in this State must be legally described for tax purposes by parcel number”</p> <p>Pursuant to NRS 361.189(1)(b) “Each county shall prepare and possess a complete set of maps drawn in accordance with such parceling system for all land in the County.”</p> <p>Pursuant to NRS 361.890(3) “The maps must readily disclose precisely what land is covered by any particular parcel number in the current fiscal year.”</p> <p>Pursuant to NRS 361.220, “Land may be described by metes and bounds, or other description sufficient to identify it, giving the locality and an estimate of the number of acres.”</p>
Condition	The Storey County Assessor assigns parcel numbers to patented mining claims outside of the regular parcel system. Assessor Parcel Maps do not show the relationship of surface ownership of patented mining claims to other surface ownership, including reconciliation of overlapping claims.
Effect	The Assessor Parcel Maps do not readily disclose the location of the surface ownership or precisely what land is covered by a particular parcel number. The lack of integration of patented mining claims with other land ownership makes accurate valuation of the surface of patented mining claims difficult.
Cause	The process of reconciling the surface ownership of each patented mining claims has not been undertaken. The transfer of this information in to the parcel system has not been undertaken. The process of integrating patenting mining claims into parcel maps has not been undertaken.
Recommendation	<p>Identify and map the surface of patented mining claims by reconciling surface ownership of overlapping claims and incorporate the results into the regular parcel numbering system, including estimates of actual surface acreage owned. Update the parcel database accordingly.</p> <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance. The Department intends to facilitate efforts toward compliance, if possible.</p>

Finding #1001-ST03 – Supporting documentation for site adjustments

Criteria	NRS 361.227 allows for adjustment on individual parcels within a defined market area to adjust the values obtained in the mass appraisal analysis for specific conditions unique to a particular parcel. NRS 361.227 requires supporting documentation for any adjustments.
Condition	Adjustments are made to certain parcels without the appropriate supporting documentation of the values
Effect	Most adjustments are downward for negative influences. This generally results in under assessment.
Cause	The Storey County Assessor does not perform the necessary analysis to support adjustments.
Recommendation	The Assessor should establish procedures to determine the influences on particular parcels within a defined market area and to retain documentation of the adjustments. This issue was addressed in the 2009-2010 Report of Assessment Ratio Study on page 21.

Finding #1001-ST04 – Records of reappraisal not available

Criteria	NAC 361.146 indicates that “Whenever property is reappraised, the county assessor shall indicate all the data necessary to determine the taxable value of the property, ...”.
Condition	Storey County retains an outside contractor to perform certain appraisals, primarily in the industrial area. The records of the outside contractor were not available for review during the audit, despite repeated requests.
Effect	No testing of the appraisals could be performed. Therefore, the scope of the audit for Storey county is limited.
Cause	The Storey County Assessor does not obtain the appropriate information from the outside contractor and incorporate the supporting documentation into the County records.
Recommendation	The Assessor should develop policies and procedures to assure that any outside contractor provides the necessary records to the County Assessor.

19.5 Audit Methodology

To gain an understanding of the operations of the Storey County Assessor's Office, we interviewed the Assessor and the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also documented specific work flows related to land valuation, including significant control points in the work flow. We also discussed the types of properties classified in each major land use code used in Storey County. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

To evaluate the effectiveness of the Assessor's Office sales data collection processes, we traced 59 deeds randomly selected from the Storey County Recorder's records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. There was one exception in which an invalid date existed on one sale in the database. This exception did not rise to the level of a finding but indicates lack of controls in the computer system.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%¹²⁵ with staff. We also obtained copies of any sales questionnaires related to the 59 deeds and reviewed other evidence of verification processes for the sales. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we reviewed the excel spreadsheet listing the market areas together with the sales and analysis for each market area. Supporting documentation for the analysis performed by the outside appraiser was not available for review. The sales comparison approach was used in each of the market areas. We reviewed, in detail, the documentation for all market areas and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. Finding # 1001-ST03 and 04 resulted from these audit procedures.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value¹²⁶ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

¹²⁵ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

¹²⁶ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	31
Residential Single Family (20 & 22)	17
Residential Townhouse Condo(21,24,25)	1
Mobile Homes (23 & 26)	2
Multiresidential (30 - 36)	5
Commercial (40 – 44)	2
Industrial (50 – 52)	5
Agricultural Land (60)	5
Open Space	0
Golf Courses (various)	0
Patented Mining Claims (63)	3
All Mining Property Including Mills (64)	14
Aggregates Quarries (67)	4
Centrally Assessed Property (70)	14
Intracounty Public Utilities (71)	5
Centrally Assess local portion (72)	0
Possessory Interests	1
Leases (Oil & Gas)	0
Geothermal	0
TOTAL	109

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space land, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. The exceptions noted in Findings # 1001-ST01, 1001-ST02, 1001-ST03, and 1001-ST04 resulted from these audit procedures.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we traced two parcel maps selected from items on the Storey County Commission agenda through the processes to record the split and allocate values to the new parcels. We also traced one zone change from an item on the Storey County Commission agenda through to the Assessor's records. There were no exceptions.

To determine if the Storey County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the five parcels selected. We also recalculated the assessment on the five parcels selected. There were no exceptions.

To determine if the Storey County Assessor's Office effectively determined properties eligible for the subdivision discount, we interviewed the county assessor, who reported that there were no properties in Storey County that are eligible for the subdivision discount. We did not encounter allowance of any subdivision discount in any of the parcels sampled.

The Storey County Assessor reported that the abstraction method is not used. We did not encounter use of the abstraction method in any of the parcels sampled.

The Storey County Assessor reported that the allocation method was not used. We did not encounter use of the allocation method in any of the parcels sampled.

The Storey County Assessor reported that the Cost of Development method is not used. We did not encounter use of the Cost of Development method in any of the parcels sampled.

The Storey County Assessor reported that the Capitalization of Ground Rents method is not used. We did not encounter use of the Capitalization of Ground Rents method in any of the parcels sampled.

The Storey County Assessor reported that the Land Residual method is not used. We did not encounter use of the Land Residual method in any of the parcels sampled.

The Storey County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling of parcels indicated that land was reappraised.

To determine if changes to the roll from actions of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate action by the Board of Commissioners. To determine if parcel maps or subdivision maps were changed in the assessor records, we traced two changes through the system. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Pershing County Assessor. On January 10, 2012 we met with the Pershing County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report included:

Terry Rubald, Chief-Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

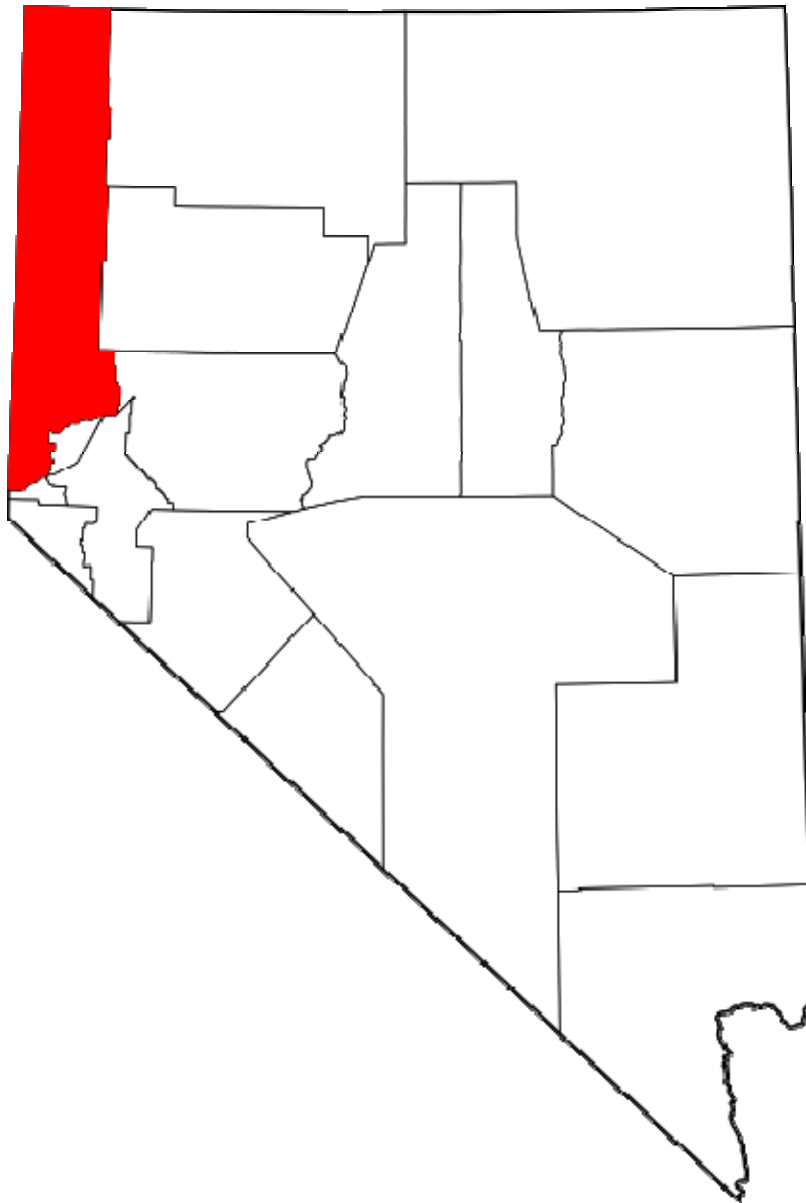
19.6 Assessor's Response

The Storey County Assessor did not submit a letter in response to the audit findings.

Storey County Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
#1001-ST01	Patented Mining Claims Valuations		
#1001-ST02	Patented Mining Claims Mapping		
#1001-ST03	Site Adjustment Support		
#1001-ST04	Records of Reappraisal Not Available		
	Totals		

20 Washoe County



Map Source: www.wikipedia.org

20.1 Organizational Structure

The local governing board is composed of five elected members of the Board of County Commissioners. The Board selects a chair from among the elected Commissioners. Commissioners serve staggered four-year terms and are elected by districts. The County Assessor is elected at large to four-year terms. Other elected officials with statutory roles in the property tax system include the Clerk, District Attorney, Recorder, Sheriff, and Treasurer.

Washoe County maintains a website. The property tax roll¹²⁷ is posted in the website. The Washoe County website contains additional information on parcels, improvements, personal property, and electronic copies of assessor parcel maps. Recorded deeds are also available on the Washoe County website.

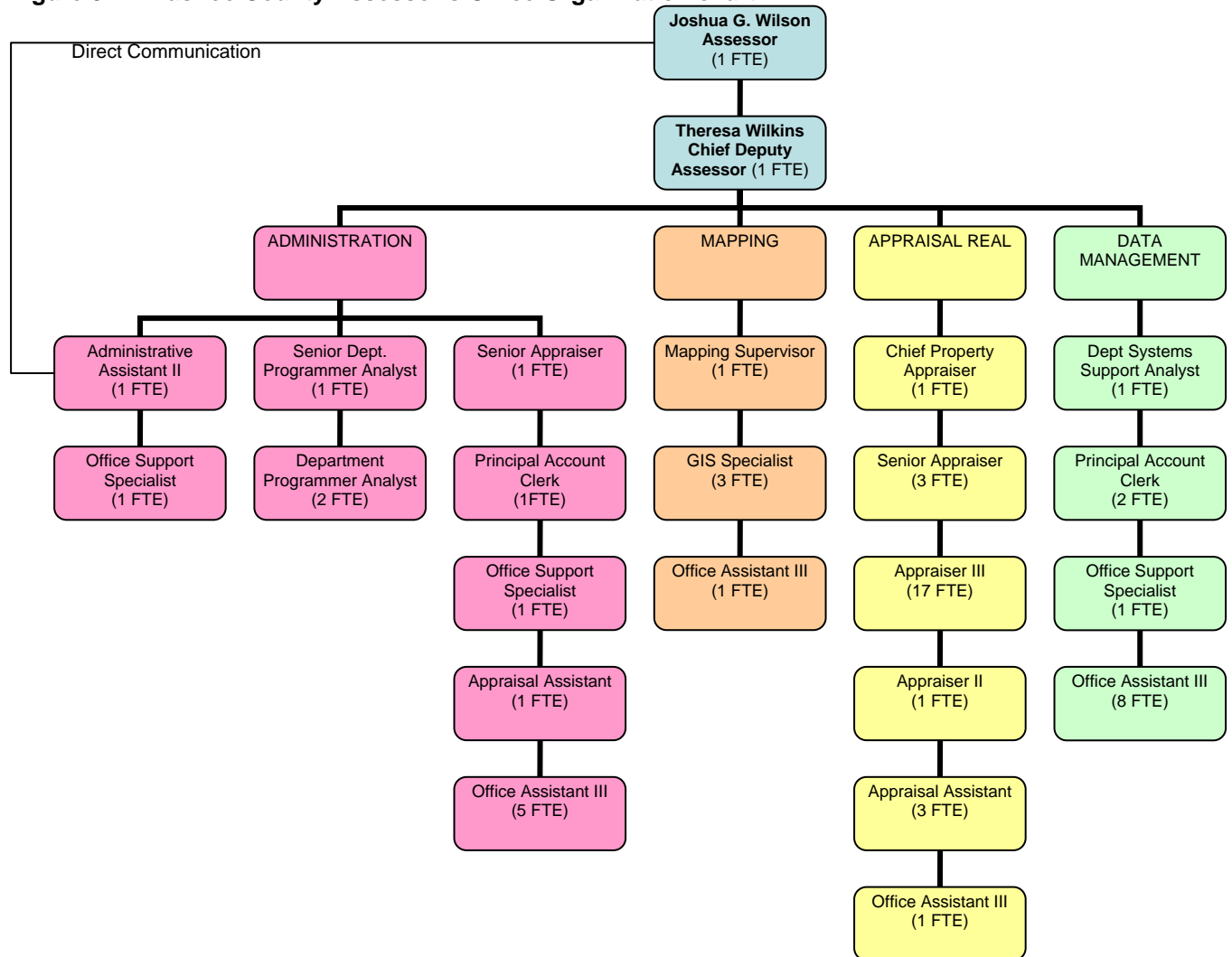
Joshua Wilson is the Washoe County Assessor. When the entrance conference for this project was conducted in June 2010, the Washoe County Assessor's Office had a total of 84 authorized positions representing 84 Full Time Equivalents (FTE). As of November 2011, there are 59 authorized positions in the Washoe County Assessor's Office representing 59 Full Time Equivalents (FTE). The Washoe County Assessor's office does not perform additional duties beyond the required statutory duties (for example, the assessor's office does not operate a branch office for DMV). The County Treasurer bills and collects both the secured roll and the unsecured roll. Updates to parcel maps are performed in the Assessor's Office using GIS systems. Other portions of the county government provide supporting services to the Assessor's Office including Human Resources, Finance, and County Administration. This table summarizes the number of FTE in each division of the Washoe County Assessor's Office.

Position and Number of FTE in Each Division	Admin	Mapping	Appraisal	Data Mngt	Directors	Total
Administrative Assistant II	1					1
Appraisal Assistant	1		3			4
Appraiser I/II/III			18			18
Assessor					1	1
Chief Deputy Assessor					1	1
Chief Property Appraiser			1			1
Department Systems Support Analyst				1		1
Department Programmer Analyst	2					2
GIS Specialist		3				3
Mapping Supervisor		1				1
Office Assistant III	5	1	1	8		15
Office Support Specialist	2			1		3
Principal Account Clerk	1			2		3
Senior Appraiser	1		3			4
Senior Dept. Programmer Analyst	1					1
Total	14	5	26	12	2	59

The organizational chart of the Washoe County Assessor's Office is as follows:

¹²⁷ NRS 361.0445(3) and 361.0445(4)

Figure 52 – Washoe County Assessor's Office Organization chart



20.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about Washoe County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

20.3 Statistics

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Washoe County Assessor's Office.

# of Parcels	Acres	Land AV ¹²⁸	Land TV ¹²⁹	Exempt Acres ¹³⁰
171,560	3,981,635	~\$6.9 billion	~\$19.9 billion	3,361,353

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the Washoe County Assessor's Office by land use code.

Figure 53 – Washoe County Summary of Land Parcels by Land Use Code

	# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)	24,655	3,605,604.44	\$ 1,720,283,562
Residential Single Family (20 & 22)	105,703	92,510.50	3,226,371,832
Residential Townhouses/Condos (21, 24, 25)	24,807	10,024.87	413,673,151
Mobile Homes (23 & 26)	4,088	4,994.05	83,732,833
Multiresidential (30 - 36)	4,027	5,057.74	269,790,435
Commercial (40 - 44)	4,920	16,896.63	893,672,877
Industrial (50 - 52)	1,768	23,067.62	315,983,697
Agricultural Land (60)	993	206,368.45	2,836,991
Open Space (62)	5	528.06	126,884
Patented Mining Claims (63)	129	8,312.32	1,526,644
Aggregates, Quarries, etc. (67)	46	3,480.23	7,295,563
Centrally Assessed Property (70)	252	3,486.88	310,263
Intracounty Public Utilities (71)	166	1,370.69	10,869,966
Centrally Assessed Local Portion (72)	1	32.88	1,150,462
Possessory Interests	4		322,388
Totals	171,560	3,981,735.36	\$ 6,947,947,548

¹²⁸ AV = Assessed Value. Assessed Value is 35% of Taxable Value

¹²⁹ TV = Taxable Value before exemptions

¹³⁰ Exempt acres include US Public Domain, US Government, Indian, State, State Forestry, County, Municipal, School, Church, and other lands. The Washoe County Assessor reported 5,425 exempt parcels totaling 3,361,352.88 acres in the 2009-2010 Statistical Analysis of the Roll

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)¹³¹ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

Figure 54 – Washoe County Payments in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	2,652,953	2,652,874	2,652,874	2,652,341
FS (Forest Service) acres	103,412	104,720	104,720	104,904
BOR (Bureau of Reclamation) acres	406	406	406	406
FWS (Fish and Wildlife Service) acres	173,102	173,102	173,102	173,102
Total exempt acres	2,929,873	2,931,102	2,931,102	2,930,753
% of Total County acres (4,059,053)	72%	72%	72%	72%
Based on 2000 Census				
\$ Payment in Lieu	\$1,932,519	\$3,068,357	\$3,147,222	\$3,197,884
\$ PILT per acre	\$0.66	\$1.05	\$1.07	\$1.09

20.4 Findings and Recommendations

No findings were made.

20.5 Audit Methodology

To gain an understanding of the operations of the Washoe County Assessor's Office, we interviewed the Assessor and the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also documented specific work flows related to land valuation, including significant control points in the work flow. We also discussed the types of properties classified in each major land use code used in Washoe County. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

¹³¹ [Chapter 69, Title 31 of the United States Code.](#)

To evaluate the effectiveness of the Assessor's Office sale data collection, we tested controls designed to capture all relevant documents, to check input, and to control access or change to records. We also traced 59 deeds randomly selected from the Washoe County Recorder's records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. There were no exceptions.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40% with staff. We also looked up the notes in Washoe County's computerized appraisal system documenting verification processes undertaken for the 59 deeds. We also tested the controls for input into the system and controls to access or change records. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we obtained maps and listings of market areas defined by the Assessor's Office. We also interviewed personnel on the use of the defined market areas. The sales comparison approach was used in each of the market areas selected. We reviewed the documentation for ten market areas and the results of the analysis (for example base lot value or comparative unit value and site adjustments applicable to that particular market). Cross reference to parcel numbers included in the market areas was available on the maps and listings. We evaluated whether the size and type of the defined market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally we reviewed adjustments to sales prices and market analysis supporting site adjustments. There were no exceptions.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value¹³² for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all of the parcels were selected for testing. The samples were determined as follows:

¹³² The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Description and Land Use Code	Number of Parcels Selected
Vacant (10 – 19)	8
Residential Single Family (20 & 22)	36
Residential Townhouse Condo(21,24,25)	9
Mobile Homes (23 & 26)	2
Multiresidential (30 - 36)	3
Commercial (40 – 44)	4
Industrial (50 – 52)	2
Agricultural Land (60)	6
Open Space	1
Golf Courses (various)	2
Patented Mining Claims (63)	8
All Mining Property Including Mills (64)	0
Aggregates Quarries (67)	3
Centrally Assessed Property (70)	56
Intracounty Public Utilities (71)	7
Centrally Assess local portion (72)	1
Possessory Interests	2
Leases (Oil & Gas)	0
Geothermal	0
TOTAL	150

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the value recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustment applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. In addition, we tested controls for computer updates from the appraisal system to the billing system and access to computer systems to change records. There were no exceptions.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we selected two items from the Washoe County Commission agenda through the processes to record the split and allocate the values to the new parcels. We also tested controls to input changes to property characteristics and zoning in the computer system. There were no exceptions.

To determine if the Washoe County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classification for the six parcels selected. We also recalculated the assessment of the six parcels selected. There were no exceptions.

To determine if the Washoe County Assessor's Office effectively determined properties eligible for the subdivision discount, we reviewed the analysis for the ten market areas selected. There were no exceptions.

To determine if the Washoe County Assessor's Office effectively used the abstraction method, we reviewed the cost data included in the ten market areas selected and the application of the abstraction method based on the cost data and market depreciation. Due to the downturn in the market, the abstraction method was not used in the samples selected. Therefore, there were no exceptions.

To determine if the Washoe County Assessor's Office effectively used the allocation method, we reviewed the county wide analysis. There were no exceptions.

The Washoe County Assessor represented that the Cost of Development method is not used. We did not encounter use of the Cost of Development method in our samples.

The Washoe County Assessor represented that the Capitalization of Ground Rents method is not used. We did not encounter use of the Capitalization of Ground Rents method in our samples.

The Washoe County Assessor represented that the Land Residual method is not used. We did not encounter use of the Land Residual method in our samples.

The Washoe County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling indicated annual reappraisal.

To determine if changes to the roll from actions of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packet from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the control system to change data in the system. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the Washoe County Assessor. On November 28, 2011 we met with the Washoe County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report included:

Terry Rubald, Chief Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

20.6 Assessor's Response



WASHOE COUNTY ASSESSOR

Joshua G. Wilson

February 6, 2012

Theresa Wilkins
Chief Deputy Assessor

Ronald J. Sauer, C.A.E.
Chief Property Appraiser

Ivy Diezel
Systems Support Analyst

Carol F. Buonanoma, CMS, GISP
Mapping Supervisor

Department of Taxation
Division of Assessment Standards
1550 College Parkway Suite 115
Carson City NV 89706
Attn: Bonnie Duke

Dear Ms. Duke,

It was a pleasure meeting with you, Terry Rubald and Bruce Bartolowits on November 29, 2011 to review the findings contained in the Washoe County Performance Audit for Land Valuation conducted by the Department of Taxation. I appreciate the time and effort a review such as this required and am pleased that no recommendations for Washoe County were necessary based on findings.

Additionally, I look forward to working with the Department with regard to items identified as needing further Department direction to county assessors.

Sincerely,

A handwritten signature in black ink, appearing to read "Joshua G. Wilson", is written over a horizontal line.

Joshua G Wilson
Washoe County Assessor

Washoe County Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
	None		

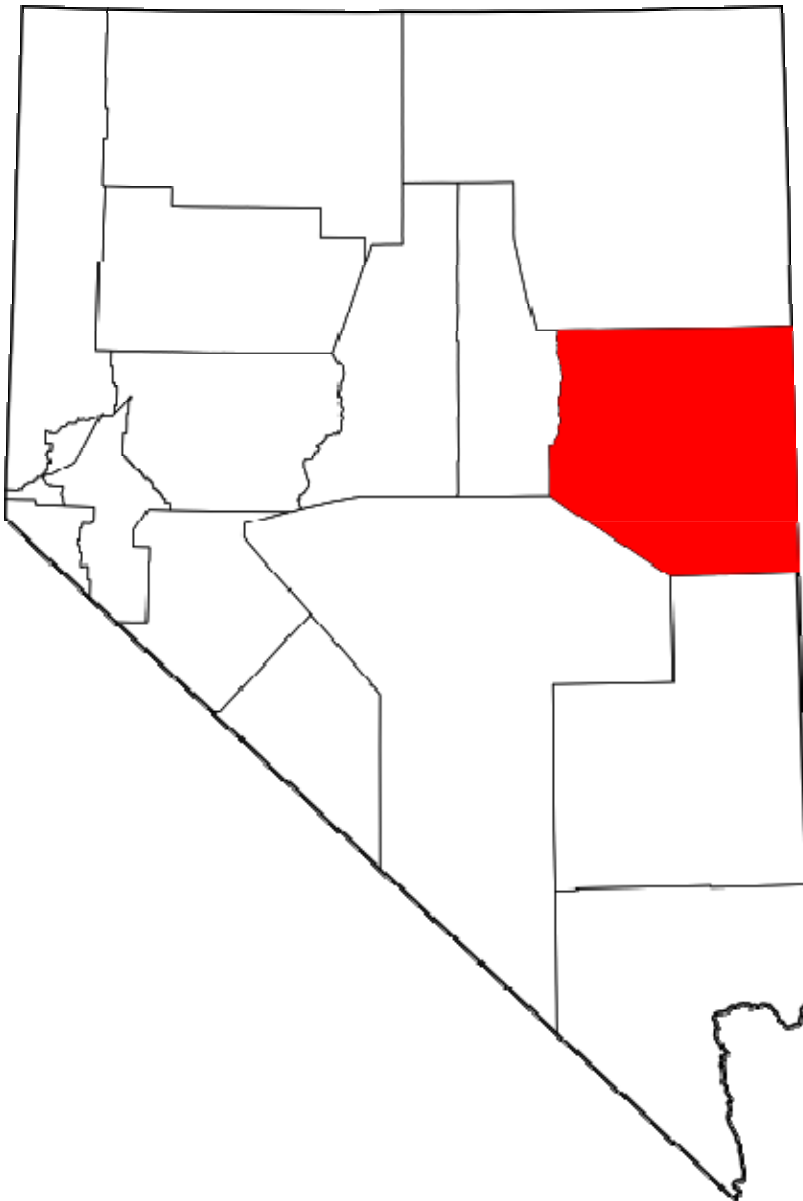
20.7 Special Recognition

Washoe County developed a strong internal control system to allow for proper review and authorization prior to changes in the computerized data. This includes system controls in which only specific users can change data as well as documentation for authorization of changes.

The documentation for each market area in Washoe County's file structure allows for review and examination of the steps taken in determining valuation for each market area. The result is summarized on a single sheet for each market area. In addition, the definition of market areas using a four digit alphabetic code system greatly enhances the analysis.

Washoe County's web site contains a great deal of information which allowed a large portion of the audit to be conducted using web site data, in conjunction with other data obtained from the site visits.

21 White Pine County

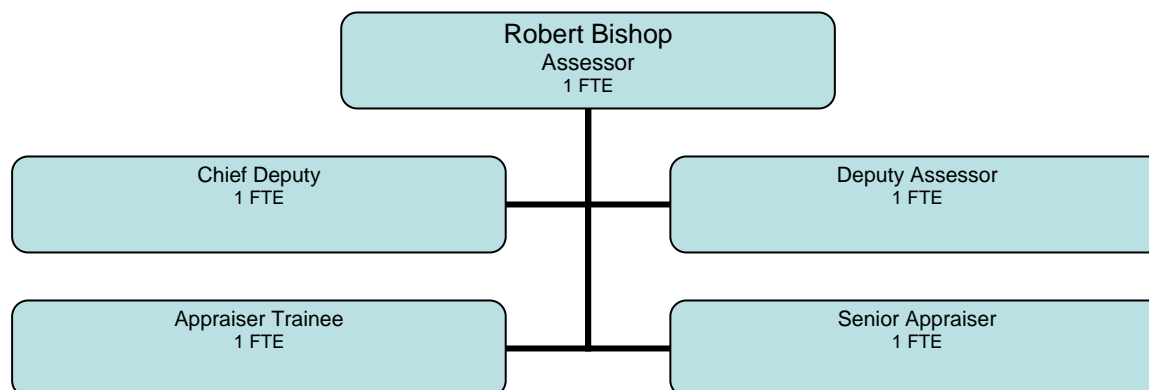


Map Source: www.wikipedia.org

21.1 Organizational Structure

The local governing board of White Pine County is composed of five elected members of the Board of County Commissioners. The Board selects a chair and vice-chair from among its members. Commissioners serve staggered four-year terms. The County Assessor is also elected to four-year terms. Other elected officials with statutory roles in the property tax system include the Clerk, District Attorney, Recorder, Sheriff, and Treasurer.

Figure 55 – White Pine County Assessor’s Office Organizational Chart



The five positions in the White Pine County Assessor’s Office represent five Full Time Equivalents (FTE). The White Pine County Assessor’s Office does not perform additional duties beyond the statutory and administrative duties of the Assessor. The Treasurer bills and collects taxes due on the secured roll. The Assessor’s Office bills and collects taxes due on the unsecured roll. Updates to parcel maps are performed manually in the Assessor’s Office, although a project is in progress to convert parcel maps to a GIS environment. Other portions of the County government provide supporting services to the Assessor’s Office including Human Resources, Finance, and City Administration.

At the time of the audit work, White Pine County did not have a website and information on property was not available online. The Department of Taxation posted the White Pine County property tax roll¹³³ on its website. The White Pine County Assessor now has a web site and parcel information is available on-line. Recorded deeds are not available online. Assessor parcel maps are not maintained in digital format and therefore are not available online.

21.2 Economic and Demographic Information

Please refer to the Department publication entitled County Economic and Demographic Summary for information about White Pine County. This information is useful because, in general, changes in various economic indicators correspond with increases or decreases in land value.

¹³³ NRS 361.0445(3) and 361.0445(4)

21.3 Statistics

Statistical Analysis of the Roll

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the White Pine County Assessor's Office.

# of Parcels	Acres	Land AV ¹³⁴	Land TV ¹³⁵	Exempt Acres ¹³⁶
8,750	5,545,273	~\$650 million	~\$1.9 billion	5,318,006

Based on the 2009-2010 Statistical Analysis of the Roll, the following table summarizes the land valuations performed by the White Pine County Assessor's Office by land use code.

Figure 56 – White Pine County Summary of Land Parcels by Land Use Code

	# of Parcels	Acres	Land Assessed Value
Vacant (10 - 19)	2,520	5,282,010.06	\$ 609,994,604
Residential Single Family (20 & 22)	2,862	4,799.75	13,350,531
Residential Townhouses/Condos (21, 24, 25)	17	2.34	64,837
Mobile Homes (23 & 26)	463	2,771.72	2,470,543
Multiresidential (30 - 36)	168	1,774.41	1,530,123
Commercial (40 - 44)	413	12,157.02	7,511,688
Industrial (50 - 52)	63	1,267.32	497,441
Agricultural Land (60)	1,047	170,054.85	5,408,600
Open Space (62)	20	51,516.59	6,382,281
Patented Mining Claims (63)	1,155	18,885.21	734,654
Centrally Assessed Property (70)	22	33.73	109,885
Leases (Oil and Gas)	772		1,956,374
Totals	8,750	5,545,273.00	\$ 650,011,561

Payment in Lieu of Taxes (PILT) on Federal Land

"Payments in Lieu of Taxes" (or PILT)¹³⁷ are Federal payments to local governments that help offset losses in property taxes due to nontaxable Federal lands within their boundaries. The payments are made annually for tax-exempt Federal lands administered by the BLM, the National Park Service, the U.S. Fish and Wildlife Service (all agencies of the Interior Department), the U.S. Forest service (part of the U.S. Department of Agriculture), and for Federal water projects and some military installations. The Department of the Interior's (DOI) Office of the Secretary has administrative authority over the PILT program. The formula used to compute the payments is based on population, receipt sharing payments, and the amount of Federal land within an affected county.

¹³⁴ AV = Assessed Value. Assessed Value is 35% of Taxable Value

¹³⁵ TV = Taxable Value before Exemptions

¹³⁶ Exempt acres include US Public Domain, US Government, Indian, State, State Forestry, County Municipal, School and other property. White Pine County had 986 parcels totaling 5,318,006.24 acres according to the 2009-2010 Statistical Analysis of the Roll.

¹³⁷ [Chapter 69, Title 31 of the United States Code.](#)

Figure 57 – White Pine County Payments in Lieu of Taxes on Federal Land

	FFY2007	FFY2008	FFY2009	FFY2010
BLM (Bureau of Land Management) acres	4,357,395	4,354,142	4,354,102	4,354,102
FS (Forest Service) acres	859,814	859,814	764,831	764,631
NPS (National Parks Service) acres	77,180	77,180	77,180	77,180
FWS (Fish and Wildlife Service) acres				932
Total exempt acres	5,294,389	5,291,136	5,196,753	5,196,845
% of Total County acres (5,680,627)	93%	93%	91%	91%
Based on 2000 Census				
\$ Payment in Lieu	\$665,274	\$1,054,890	\$1,082,039	\$1,107,990
\$ PILT per acre	\$0.13	\$0.20	\$0.21	\$0.21

21.4 Findings and Recommendations

Eight findings were made in this Land Valuation Performance Audit. Each finding is discussed in more detail on the following pages.

Finding #1001-WP01 – Valuation of the surface of patented mining claims

Criteria	Article 10, Section 5 of the Nevada Constitution, NRS 362.030 through 362.095, and NAC 362.410 outline the responsibilities of the county assessor for assessment of the surface of patented mines and mining claims, depending on the use of the land and whether or not an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes per NRS 362.050 is filed with the County Recorder.
Condition	The County Assessor assesses all patented mining claims at \$500 assessed value per claim, pursuant to NAC 362.410, however, no evidence of the “greater of” part was of the test in NAC 362.410 was documented. The Assessor reports that processes are in place to comply with exclusions available pursuant to NAC 362.050, but owners rarely file. No filings occurred during the period covered by the audit. Documentation of the use, location, area, and other attributes of the surface of each mining claim is not available in the assessor's records. Documentation is necessary to make the appropriate decisions in applying statutes and regulations. The land area of each mining claim is not reconciled with overlapping claims and recorded in the assessor's records.
Effect	Some mining claims may qualify for exemption from taxation if an Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes form is filed and processed. The process of placing \$500 per claim assessed value on the surface of claims likely results in under assessment and under taxation. For claims used for purposes other than mining or agriculture, there is likely under assessment and under taxation.
Cause	Processes are not in place to systematically evaluate (1) the use, location, area, and other attributes of the surface of patented mining claims, (2) the valuation pursuant to NAC 362.410 or NRS 361.227, and (3) the exception, if applicable, per Article 10, Section 5 of the Nevada Constitution as further outlined in NRS 362.050.
Recommendation	<p>The Department recommends that the County Assessor develop and implement policies and procedures to:</p> <ol style="list-style-type: none"> 1. Document the use, location, area, and other attributes of the surface of each mining claim. 2. Provide Affidavit of Labor on Patented Mining Claims for Exemption of Taxes forms to owners and process forms to provide exemptions. 3. Determine the area for each mining claim and record the area in the records for each patented mining claim, including reconciliation of overlapping claims. 4. Determine if patented mining claims are no longer considered patented mining claims for purposes of taxation due to changes of use or subsequent parceling. 5. Value the surface ownership of the patented mining claim and appropriately apply NAC 362.410, if applicable. <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance.</p>

Finding #1001-WP02 – Parceling and mapping of patented mining claims

Criteria	<p>Pursuant to NRS 517.213(1), “The county recorder shall include all patented mines and mining claims in the county on the county map of mining claims in a manner which clearly distinguishes the patented mines and mining claims from the unpatented claims.”</p> <p>Pursuant to NRS 517.213(3) “A county recorder who records a map pursuant to this section shall, within 7 working days after the county recorder records the map, provide to the county assessor, at no charge, (a) a duplicate copy of the map and any supporting documents or (b) access to the digital map and any digital supporting documents. The map and supporting documents must be in a form that is acceptable to the county recorder and the county assessor.”</p> <p>Pursuant to NRS 361.189(1)(a) “All land in this State must be legally described for tax purposes by parcel number”</p> <p>Pursuant to NRS 361.189(1)(b) “Each county shall prepare and possess a complete set of maps drawn in accordance with such parceling system for all land in the County.”</p> <p>Pursuant to NRS 361.890(3) “The maps must readily disclose precisely what land is covered by any particular parcel number in the current fiscal year.”</p> <p>Pursuant to NRS 361.220, “Land may be described by metes and bounds, or other description sufficient to identify it, giving the locality and an estimate of the number of acres.”</p>
Condition	The White Pine County Assessor assigns parcel numbers to patented mining claims outside of the regular parcel system. Assessor Parcel Maps do not show the relationship of surface ownership of patented mining claims to other surface ownership, including reconciliation of overlapping claims.
Effect	The Assessor Parcel Maps do not readily disclose the location of the surface ownership or precisely what land is covered by a particular parcel number. The lack of integration of patented mining claims with other land ownership makes accurate valuation of the surface of patented mining claims difficult.
Cause	The process of reconciling the surface ownership of each patented mining claims has not been undertaken. The transfer of this information in to the parcel system has not been undertaken. The process of integrating patenting mining claims into parcel maps has not been undertaken.
Recommendation	<p>Identify and map the surface of patented mining claims by reconciling surface ownership of overlapping claims and incorporate the results into the regular parcel numbering system, including estimates of actual surface acreage owned. Update the parcel database accordingly.</p> <p>The Department recognizes that this is a significant undertaking and that resources may not be available for immediate compliance. The Department intends to facilitate efforts toward compliance, if possible.</p>

Finding #1001-WP03 – Process to “post” values from mass appraisal analysis to individual parcels in the defined market area

Criteria	NRS 361.227 requires the White Pine County Assessor to determine the taxable value of properties using mass appraisal techniques and to “post” these values to individual parcels within the given market area.
Condition	Testing indicated that the values on individual parcels within a given market area did not match the values determined in the mass appraisal analysis.
Effect	The resulting valuations on certain parcels were not correct. In general, this resulted in under assessment; however, either under assessment or over assessment might occur do to the lack of appropriate procedures to “post” the values.
Cause	The valuation process is largely manual and the update is entered into the appraisal/billing computerized system manually.
Recommendation	Establish procedures to assign values to each parcel using an excel spreadsheet and utilize the procedures available in the ADS system to upload the values into the computerized system.

Finding #1001-WP04 – Supporting documentation for site adjustments

Criteria	NRS 361.227 allows for adjustment on individual parcels within a defined market area to adjust the values obtained in the mass appraisal analysis for specific conditions unique to a particular parcel. NRS 361.227 requires supporting documentation for any adjustments.
Condition	Adjustments are made to certain parcels without the appropriate supporting documentation of the values
Effect	Most adjustments are downward for negative influences. This generally results in under assessment.
Cause	The White Pine County Assessor does not perform the necessary analysis to support adjustments.
Recommendation	The Assessor should establish procedures to determine the influences on particular parcels within a defined market area and to retain documentation of the adjustments.

Finding #1001-WP05 – Information not maintained on the Internet

Criteria	NRS 361.0445(3) states that “Each county assessor and county treasurer shall, to the extent feasible, provide on a website or other Internet site, if any, that is operated or administered by or on behalf of the county or the county assessor or county treasurer, information In a form that is easily understood and readily accessible to the public.” NRS 361.0445(4) states that “The Department and each county shall update and upgrade the websites or other Internet sites maintained pursuant to this section to the extent necessary to improve the quantity, quality and accessibility of the information provided to the public on the Internet.” This requirement was added to the statutes in 2005 through AB128.
Condition	At the time of the audit, White Pine County did not have a website and parcel maps were updated manually only in paper form. Subsequently, the White Pine County Assessor launched a website and is working on digital mapping.
Effect	Without a website, the public cannot readily get information about land parcels and other information online.
Cause	Funding was previously not available. Funding has now been made available.
Recommendation	The Assessor has implemented the website and is working toward digital mapping. The Department recommends continuation of these efforts.

Finding #1001-WP06 – Analysis and statistics

Criteria	NRS 361.227 provides for mass appraisal practices and generally accepted mass appraisal standards provide tools to determine values. Generally, averages or means are not the best way to determine value. Statistical programs are available to determine whether or not the selected value is representative of properties in the market area.
Condition	The White Pine County Assessor determines all values based on the average of vacant land sales unadjusted for market conditions. The Assessor does not further analyze the sales data and apply statistical processes to test the results.
Effect	The values are generally understated due to this process.
Cause	The County Assessor does not utilize available tools to test the validity of the appraisals.
Recommendation	The White Pine County Assessor should change its methodology of using only the average given the vacant land sales and (1) use alternative methods such as abstraction or allocation to obtain land values from improved sales, (2) input the sales into the Department's Land Value Workbook to run statistics on the market area, and (3) either eliminate older sales or adjust older sales for market conditions.

Finding #1001-WP07 – Use additional tools to obtain enough data to set values versus simply not changing values

Criteria	Generally, NAC 361.118 requires the county assessor to apply the sales comparison approach using mass appraisal with vacant land sales as input into the mass appraisal process to determine land values. In the absence of sufficient vacant land sales, NAC 361.119 allows for alternative methods to obtain residual land values from improved sales.
Condition	The White Pine County Assessor has not changed values in several areas for many years due to a lack of sales. The alternative approaches in NAC 361.119 are not used. Similar market areas are not expanded or combined to provide sufficient sales for analysis.
Effect	Land values are not changed and may not reflect full cash value.
Cause	The White Pine County Assessor does not apply alternative valuation methods such as allocation or abstraction. The White Pine County Assessor does not change market area definitions or combine market areas in analysis.
Recommendation	Perform additional procedures to obtain data upon which to base valuations.

Finding #1001-WP08 – Sales data collection and verification

Criteria	Generally, NAC 361.118 requires a county assessor to determine the full cash value of land by applying the sales comparison approach. NAC 361.118(2) lists the types of information the assessor should collect and NAC 361.118(3) lists procedures that an assessor may use to verify the accuracy of the data collected. Systems to identify, record, verify, and document sales are integral to the sales comparison approach.
Condition	A sample of 59 deeds was traced through the Assessor's records. Of the 59 transactions, four contained errors. Two errors involved a mismatch of the document number between the recorder and assessor records, one error was a valid sale that was not included in the Assessor database, and the last error involved allocating sale price to personal property (mobile home). Of the 59 transactions, 30 (51%) were properly marked as non-sales, 16 (27%) were recorded and within the 20%-40% criteria, 10 (17%) were recorded with ratios under 20%, and 3 (5%) were recorded with ratios greater than 40%. Sales questionnaires were readily available for audit.
Effect	Accurate sales data is necessary to properly apply the sales comparison approach to land value. Incomplete and inaccurate sales data may lead to erroneous valuations. Although the sample selected is too small to make any inference about valuation in the total population, the large variability of the results may indicate valuation issues.
Cause	Policies and procedures are not in place to ensure that sales are identified, recorded, verified and documented.
Recommendation	Establish and implement policies and procedures to ensure that sales are identified, recorded, verified, and appropriately documented. Establish and implement policies and procedures to identify and flag multiple parcel sales. Establish and implement policies and procedures to investigate, verify, and document any sale outside of a predetermined ratio (for example 20%-40% based on assessed value at time of sale to sales price).

21.5 Audit Methodology

To gain an understanding of the operations of the White Pine County Assessor's Office, we interviewed the Assessor's Office staff and reviewed state laws, regulations, policies, and procedures significant to the operation. We also reviewed the Statistical Analysis of the Roll and prior office reviews. We documented and assessed the internal controls in the Assessor's Office over land valuation practices and procedures.

To evaluate the effectiveness of the Assessor's Office sales data collection processes, we traced 59 deeds randomly selected from the White Pine County Recorder's records to the sales database maintained by the County Assessor. We chose samples from July 2006 through June 2009. There were four exceptions. Two exceptions involved mismatch of the document number between the recorder and assessor records. One exception was a valid sale that was not included in the Assessor database. The last exception involved an error in allocating sale price to personal property (mobile home) and land. Finding #1001-WP08 was made from these audit procedures.

To determine the effectiveness of the Assessor's Office processes for verifying sales data, we calculated the ratio of the assessed value at the time of sale to the sale price for each of the 59 deeds referred to above. We discussed sales with ratios either less than 20% or more than 40%¹³⁸ with staff. We also obtained copies of any sales questionnaires related to the 59 deeds and reviewed other evidence of verification processes for the sales. There were no exceptions.

To evaluate whether the market strata used by the Assessor's Office were appropriate, we reviewed the excel spreadsheets (workbooks) maintained for the 44 defined market areas. The sales comparison approach was used in each of the market areas. We reviewed, in detail, the documentation for five market areas and the results of the analysis (for example, base lot value or comparative unit value and site adjustments applicable to that particular market). We then, generally, cross-referenced the market areas to the book and page references and evaluated whether the type and size of market were appropriate. We also reviewed the sales extracted to analyze the market area and any further sales verification processes undertaken. Finally, we reviewed adjustments to sales prices and market analysis supporting site adjustments. Findings #1001-WP04 and 1001-WP06 resulted from these audit procedures.

To determine if the mass appraisal was properly applied to parcels within market areas, we randomly selected parcels based on a sampling plan by land use code weighted by the number of parcels and the total land assessed value¹³⁹ for each land use code. If the total number of parcels coded with a particular land use code was fewer than 15, all the parcels were selected for testing. The samples were determined as follows:

¹³⁸ Sales may be improved sales and include improvements and statutory depreciation. Therefore, the sales ratio would not likely be similar to the 35% assessment ratio.

¹³⁹ The 2009-2010 Statistical Analysis of the Roll was used for the inputs of the sampling plan.

Description and Land Use Code	Number of Parcels Selected
Vacant (10 - 19)	17
Residential Single Family (20 & 22)	19
Residential Townhouse Condo(21,24,25)	0
Mobile Homes (23 & 26)	5
Multiresidential (30 - 36)	3
Commercial (40 – 44)	4
Industrial (50 – 52)	2
Agricultural Land (60)	8
Open Space	0
Golf Courses (various)	1
Patented Mining Claims (63)	8
All Mining Property Including Mills (64)	0
Aggregates Quarries (67)	0
Centrally Assessed Property (70)	22
Intracounty Public Utilities (71)	0
Centrally Assess local portion (72)	0
Possessory Interests	5
Leases (Oil & Gas)	4
Geothermal	0
TOTAL	98

Each selected parcel was traced back through the market analysis referred to above. The results of the analysis were compared with the values recorded in the assessor's computer system. For example, if the market analysis concluded that valuation would be based on a base lot value of \$20,000, the expectation would be that the posted value is \$20,000. If differences existed, documentation of site characteristics and site adjustments applied were reviewed, including support for adjustments based on appropriate market studies. In the case of parcels selected for special statutory valuations such as agricultural land, open space land, golf courses, and patented mining claims, the parcels were tested for compliance with the statutory processes. Any other issues that were discovered in the process of sampling individual parcels were noted in the workpapers. The exceptions noted in Findings # 1001-WP01, 1001-WP02, 1001-WP03, 1001-WP04, and 1001-WP07 resulted from these procedures.

To determine if adequate policies and procedures exist for recording changes such as zoning changes, changes in property characteristics, and parcel splits, we traced two parcel maps selected from items on the White Pine County Commission agenda through the processes to record the split and allocate values to the new parcels. We also traced one zone change from an item on the White Pine County Commission agenda through to the Assessor's records. There were no exceptions.

To determine if the White Pine County Assessor's Office effectively assessed agricultural property according to NRS 361A and NAC 361A, we reviewed the agricultural applications and Assessor files supporting the classifications for the eight parcels selected. We also recalculated the assessment on the eight parcels selected. There were no exceptions.

To determine if the White Pine County Assessor's Office effectively determined properties eligible for the subdivision discount, we determined that divisions of land in

White Pine County are not done under the state subdivision process. The Department is investigating the issue of whether or not these types of division of land disqualify property from the subdivision discount. No findings were made for any county pending further study of the criteria.

The White Pine County Assessor reported that the abstraction method was not used. We did not encounter use of the abstraction method in any of the parcels sampled.

The White Pine County Assessor reported that the allocation method was not used. We did not encounter use of the allocation method in any of the parcels sampled.

The White Pine County Assessor reported that the Cost of Development method is not used. We did not encounter use of the Cost of Development method in any of the parcels sampled.

The White Pine County Assessor reported that the Capitalization of Ground Rents method is not used. We did not encounter use of the Capitalization of Ground Rents method in any of the parcels sampled.

The White Pine County Assessor reported that the Land Residual method is not used. We did not encounter use of the Land Residual method in any of the parcels sampled.

The White Pine County Assessor's Office annually reappraises land in lieu of using land factors as allowed by NRS 361.260(5)(b). Our sampling of parcels indicated that land was reappraised.

To determine if changes to the roll from actions of the County Board of Equalization or State Board of Equalization were properly updated to the Assessor records, we read the minutes and packets from board actions and traced the changes through the Assessor's records. There were no exceptions. To determine if other changes to the roll after closing of the roll were authorized, we reviewed the change log and traced any other changes to appropriate action by the Board of Commissioners. To determine if parcel maps or subdivision maps were changed in the assessor records, we traced two changes through the system. There were no exceptions.

Our audit work was conducted from February 2010 through June 2011. We conducted this performance audit using generally accepted government auditing standards as a guide. Those standards describe methods to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

We furnished a copy of our preliminary report to the White Pine County Assessor. On December 8, 2011 we met with the White Pine County Assessor to discuss the results of the audit and requested a written response to the preliminary report. The Assessor's Response is reproduced below under the heading "Assessor's Response".

Contributors to this report included:

Terry Rubald, Chief-Division of Assessment Standards	Bruce Bartolowits, Supervisor Locally Assessed Group
Bonnie Duke, CPA, Auditor II	Kevin Cole, Appraiser
John Leuck, Appraiser	Sindy Scarce, Appraiser
Shannon Silva, Appraiser	Gregg Worms, Appraiser

21.6 Assessor's Response

WHITE PINE COUNTY ASSESSOR

955 CAMPTON STREET

ELY, NEVADA 89301

Robert I. Bishop, Assessor
Cherly McNutt, Chief Deputy

(775) 293-6542 PHONE

(775) 289-8842 FAX

E-mail: wpcoassessor@sbcglobal.net

Debbie Underwood, Sr. appraiser
Sherri Calderwood, Deputy
Brenda Boren, Deputy

COMMENTS TO AUDIT:

#1001-WP01- WP02 - VALUATION OF THE SURFACE OF PATENT MINING CLAIMS:

WE ARE IN THE PROCESS OF GETTING THE MINING CLAIM PUT ON PARCEL MAPS AND ONCE WE GET THIS DONE WE WILL BE ABLE TO DETERMINE THE AREA FOR EACH CLAIM AND RECORD THE AREA IN THE RECORDS FOR EACH CLAIM AND TAX IT PER N.R.S. AT PRESENT WE HAVE TWO COMPANIES THAT CLAIM EXEMPTION ON THEIR MINING CLAIMS AND WE HAVE THE AFFIDAVITS ON FILE, THEY ARE DONE ON OLD FORMS BUT WE WILL CHANGE TO THE NEW FORMS FOR THE FOLLOWING YEAR. MINING CLAIM THAT HAVE HOMES OR NO LONGER USE FOR MINING IS CHANGE TO SPECIAL LAND AND ARE TAX AS SPECIAL LANDS.

AS FAR AS THE MAP OF EACH MINING CLAIM WE HOPE TO HAVE THEM DONE IN ABOUT THE NEXT 2 YEAR OR SOONER.

#1001-WP03- PROCESS TO POST VALUES FROM MASS APPRAISAL:

WE WILL ESTABLISH A PROCEDURES TO ASSIGN VALUES TO EACH PARCEL BY USING AN EXCEL SPREADSHEET AND BY WORKING WITH ADS SYSTEMS. WE MAY NEED TO GET SOME HELP FROM DEPARTMENT OF TAXATION TO HELP US SETTING UP THE SYSTEM. MAINLY FOR GUIDE LINES ON HOW IT WOULD WORK.

#1001-WP04: SUPPORTING DOCUMENTATION FOR SITE ADJUSTMENT:

THIS WILL BE DONE BY SHOWING THE SITE ADJUSTMENT INFORMATION IN THE APPRAISAL JACKET AND PUTTING NOTE ON THE COMPUTER SHOWING THE ADJUSTMENT.

#1001-WP05: INFORMATION NOT MAINTAINED ON THE INTERNET:

THIS WAS DONE. WHITE PINE COUNTY ASSESSOR'S NOW HAVE A WEB SITE.

#1001-WP06: ANALYSIS AND STATISTICS:

THIS WILL BE DONE AND WITH ADDITIONAL HELP FROM THE DEPARTMENT OF TAXATION. WE WILL REQUEST HELP AND TRAINING ON THIS.

#1001-WP07: USE OF ADDITIONAL TOOLS TO OBTAIN ENOUGH DATA TO SET VALUES VERSUS NOT CHANGING VALUES:

WE WILL PERFORM THESE ADDITIONAL PROCEDUES TO GET A MORE TRUE VALUE OF LAND VALUES.

#1001-WP08- SALES DATA COLLECTION AND VERIFICATION:

WHITE PINE VERIFIES ALL SALES IN THE COUNTY, BY SENDING OUT SALE VERIFICATION LETTERS TO THE GRANTEE AND GRANTOR. THEN CHECKING TO SEE IF THEY ARE THE SAME. WHEN WE CANNOT GET THE SALES LETTERS BACK AND IT WAS THRU A TITLE COMPANY WE SUPEON THE TITLE COMPANY FOR THE INFORMATION. BUT WE WLL IMPLEMENT A BETTER SYSTEM AND POLICIES TO ENSURE THAT SALES ARE IDENTIFIED, RECORDED, AND VERIFIED.

SUMMARY:

WHITE PINE COUNTY WILL IMPLEMENT ALL THE ABOVE ITEMS. NOW THAT WE HAVE AN ADDITION EMPLOYEE WE ARE ABLE TO DO MORE.

ROBERT L. BISHOP, ASSESSOR

White Pine County Assessor's Office
Response to Audit Recommendations

Recommendation Number	Description	Accepted	Rejected
#1001-WP01	Valuation of patented mining claims	X	
#1001-WP02	Parceling and mapping of patented mining claims	X	
#1001-WP03	Process to "post" values from mass appraisal analysis to individual parcels in the defined market area	X	
#1001-WP04	Supporting documentation of site adjustments	X	
#1001-WP05	Information not maintained on the Internet	X	
#1001-WP06	Analysis and statistics	X	
#1001-WP07	Use of alternative methods to determine land value of improved sales	X	
#1001-WP08	Sales database	X	
	Totals	8	

22 Appendices

22.1 Appendix A – Overview of Land Valuation

Introduction

Appendix A provides an overview of the elements used in land valuation. The appendix is organized in alphabetical order by element. The appendix is not meant to be a textbook on land valuation but more of a reference should the reader have a question about the discussion in the body of this report.

More importantly, Appendix A is in no way an authoritative document. It is merely meant to assist the reader in understanding the basic topics related to land valuation in Nevada. In the event of a discrepancy between the general discussion in Appendix A and authoritative documents (for example, NRS, NAC, Attorney General Opinions, bulletins, manuals, Guidance Letters, etc.), the authoritative documents control.

Readers are encouraged to consult various textbooks, statutes, regulations, and other authoritative documents to fully understand the appraisal processes and the roles and responsibilities of various parties in the property tax system.

The following is a list of items in this appendix:

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Definitions:

In all of the sections of Appendix A, abbreviations or words have the following meaning:

NRS = Nevada Revised Statutes or code

NAC = Nevada Administrative Code, or regulations

LCB = Legislative Counsel Bureau

Department = Nevada Department of Taxation, Division of Assessment Standards

Abstraction

Per NRS 361.227, the county assessor should determine the full cash value of land, usually by applying the sales comparison approach (NAC 361.118) based on vacant land sales of comparable property. Sufficient comparable vacant sales are not always available. NAC 361.119 describes alternative valuation methods that may be used if sufficient sales of comparable properties which were vacant land at the time of sale are not available. The abstraction method is one of several alternative methods authorized by NAC 361.119. In the abstraction method¹⁴⁰, the assessor obtains comparable improved sales to determine the market value, including improvements, and deducts the full contributory value attributable to the improvements. The residual value is the value of the land. The abstraction method is best used with newer properties. Accurate estimates of the full contributory value of the improvements are needed in order to effectively use the abstraction method.

The abstraction method subtracts the depreciated replacement cost of improvement value from the sales price to yield the residual land value estimate. These calculated land values usually supplement the land sales database but can be the sole method¹⁴¹ of valuation for a property. The reliability of the generated improvement values depends on the accuracy of the cost model and the judgment of the appraiser in the calculation of depreciation. Sales with newer improvements make it easier to estimate depreciation, which gives a better residual land value estimate. As a last resort, if the market area does not have enough improved sales, the appraiser may use appraised values instead of improved sales. The appraiser should carefully validate the appraised values before implementing this diluted form of the abstraction method. Land residual estimates generated by the abstraction method require further analysis to establish comparative unit values or base lot values. Using land residual estimates, together with other available information, to establish comparative unit values or base lot values will enhance uniformity and consistency among parcels in the market area.

The following example illustrates the use of the abstraction method:

Sales price of property		\$180,000
Replacement cost new estimate	\$200,000	
Less accrued market depreciation	50,000	
Estimated value of improvements		\$150,000
Indicated land value		30,000

The indicated value of \$30,000 usually would be used as one element, together with other elements in the sales database and other relevant information, for analysis (mass appraisal) of subject parcels.

LCB File number R039-10 Section 28 adopts, among other things, a book published by the International Association of Assessing Officers entitled Property Appraisal and Assessment Administration, 1990 edition. Please refer to this source, pages 195-196, for additional information about abstraction.

¹⁴⁰ NAC 361.107 provides a definition of the abstraction method.

¹⁴¹ R166-07 Section 13, an amendment to NAC 361.119 not yet codified.

Adjustments

Adjustments are used for various purposes in valuation. In general, adjustments¹⁴² are modifications of the reported value of a variable such that the resulting value can be used in processes to estimate full cash value.

Adjustments to sales data

In the sales database maintained for using the sale comparison approach, adjustments¹⁴³ may be made to comparables to adjust the comparable to the subject(s). Adjustments are derived from analysis of market data.

For example, if a sale included vacant land and personal property, the price would be adjusted to remove the value of the personal property. Assuming that the sale is otherwise valid, the adjusted value would represent a valid, vacant, comparable sale that could be used in analysis (mass appraisal) of subject parcels.

As another example, adjustments to sales data may be made to reflect changes in market conditions over time.

Adjustments to specific parcels (Site Adjustments)

In posting the results of the mass appraisal to individual parcels within a market area, adjustments may be made from the base-lot or comparative unit value of the mass appraisal for influences on value such as location, size, shape, topography, and other influences that affect only that parcel. For example, if the base-lot method is used, a base lot value of \$10,000 per lot is assigned and one lot contains a steep unbuildable area, the one lot may be adjusted from the base lot value to reflect this condition. Adjustments must be supported by market data and adequately documented in the assessor's records. See Property Appraisal and Assessment Administration 1990 edition, page 190-195, for a full discussion of site adjustments.

Market Adjustment Factors

When land in an area is under appraised, market adjustments¹⁴⁴ or trend factors can be applied based on measures of central tendency calculated in ratio studies. In Nevada, all counties annually reappraise land. If a county assessor uses market adjustment factors for land valuation, the factors must be approved by the Department per NRS 361.260(5).

¹⁴² Regulation 039-10, Section 14 "Adjustment" means a modification of the reported value of a variable, such as sale price or gross income, using a model calibration technique for the purpose of estimating the full cash value of property.

¹⁴³ Regulation 166-07 Section 8 describes applying adjustments to sales price when the assessor uses the sales comparison approach and mass appraisal techniques.

¹⁴⁴ Property Appraisal and Assessment Administration 1990 edition, page 202-203

Agricultural Properties

NRS Chapter 361A covers the assessment of agricultural property approved for agricultural use assessment. Before discussing agricultural land valuation, it is necessary to describe the application process for agricultural use assessment.

The Department created the form for property owners to apply for an agricultural use assessment. Property owners apply either to the Department, if the property is less than 20 acres, or to the county assessor, if the property is 20 acres or more. Incomplete applications are those that lack the essential data such as verifiable income data. All property owners or any lawful substitutes may sign the application. These substitutes include any person of lawful age authorized by an executive power of attorney to sign on the property owner's behalf, a guardian or conservator of the property owner, or an executor or administrator of the property owner's estate. The applicant may not have to reapply after making an initial application, unless ownership changes or all or a portion of the land converts to a higher use.

Following receipt of an application, Department personnel or assessor personnel, as applicable, inspect the property. Applications are denied if the applicant refuses to allow physical inspections or to provide requested information.

Sometimes it is necessary to decide whether to continue to grant agricultural use on a particular property. At any time, an assessor may request a new application and evidence from the property owner. If the property owner fails to comply, the assessor may cancel the agricultural use assessment.

In general, the following considerations are examined during the application approval process:

- a. Whether the property is part of any other agricultural real property, that is, whether the property is an element of an agricultural unit operated by the applicant.
- b. In the case of property not contiguous to the owner's existing agricultural real property, whether evidence exists to demonstrate that the property is, in fact, part of the agricultural unit and whether or not the agricultural unit has been actively engaged in agricultural use for at least two months of the two years immediately prior to the date of the application.

For property to qualify for agricultural use assessment under NRS 361A, the applicant must file on or before the June 1st prior to the upcoming secured roll. The land must have been devoted exclusively to agricultural use for the last **three consecutive years** prior to the assessment date. When agricultural real property owners lease land to others to use for agricultural purposes, the agricultural parcel must include at least seven acres that is devoted to "acceptable agricultural practices" or "is contiguous to other agricultural real property owned by the lessee." The land must be currently in agricultural use, which means using the real property as a business venture for profit. The business must produce a minimum of \$5,000 from agricultural pursuits during the most recent calendar year by engaging in one or more of the following activities:

- a. Raising, harvesting and selling crops, fruits, flowers, timber and other soil products.
- b. Feeding, breeding, managing and selling livestock, poultry or produce when the real property in the application is owned/leased by the operator. See the feeding requirement charts published in the annual "Agricultural Bulletin."

- c. Having sufficient size and capacity to be able to produce one-half of the feed required during that year in order to support that agricultural pursuit and fulfill the minimum monetary requirement.
- d. Operating a feed lot that consists of at least 50 head of cattle or an equivalent number of animal units of sheep or hogs, for the production of food.
- e. Raising fur-bearing animals or bees.
- f. Dairying and the sale of the dairy products.
- g. Any other agricultural pursuit that the Division of Assessment Standards determines and verifies is an acceptable agricultural use.

County assessors are required to notify applicants within 10 days after making a determination. County assessors record approved applications with the county recorder within 10 days of approval.

County assessors keep a record of the agricultural use valuations for each approved agricultural use property. As part of the assessment notice, county assessors notify each taxpayer that deferred taxes will be calculated and collected on the property if it converts to a "higher use." Conversion to a higher use indicates the property no longer qualifies for agricultural use assessment as a result of:

- a) A physical alteration to the property's surface enabling it to be used for a higher use
- b) A recording of or existence of a final map or parcel map, as they are defined in NRS 278.010, creating one or more parcels not intended for agricultural use
- c) An owner-requested zoning change to a higher use

To value land approved for agricultural use assessment, county assessors use specific agricultural land classifications and apply the values attributable to these classifications. The "Agricultural Bulletin" describes the basic groups of land classifications and lists their values.

Assessors are required to develop land classification maps for each agricultural land parcel in the county. The maps should delineate the approximate number of acres represented by each land classification. To classify and assess agricultural land correctly, appraisers begin by collecting and studying any available information about the land. This information comes from the following sources:

- Owners and managers of the land
- Agricultural Extension agents, university agronomists and Soil Conservation Service district managers
- Aerial photographs, topographical maps and any other helpful maps.
- Qualified appraisers who have physically inspected the land

Agricultural land classifications consist of four basic groups:

- Cultivated lands
- Native meadow or wild hay lands
- Pasture lands
- Grazing lands

See the "Agricultural Bulletin" for descriptions of the production capabilities and the current values for the classes within the four basic groups.

The "Agricultural Bulletin" describes the method to value land connected with the farmstead: "Any land in the farmstead area actually covered by a structure used primarily as a human dwelling or necessary to support any such residential use shall be valued at taxable value according to NRS 361.227. Any remaining farmstead area of an agricultural property should be valued as part of the operation and carry the same value as the highest land classification used for the operation."

Airports

Airports in Nevada range from busy international airports to dirt strips in the desert. The Nevada Department of Transportation (NDOT) monitors and inspects airports for safety. NDOT also maintains central databases of information for pilots. There are five commercial service airports, three reliever airports and 23 general aviation airports in Nevada. There are also approximately 20 other public use airports, six government/military airports and some private and closed airports.

Public airports are usually owned by city or county governments and are therefore exempt from taxation. However, the assessor is still required to value the property and to value possessory interests in exempt property. Development of industrial parks on or near airport property is fairly common. The assessor is required to value these properties either as property owned by the business or as possessory interests.

NRS 361.157 relates to possessory interests in real property. Pursuant to NRS 361.157, a possessory interest exists when any real estate or portion of real estate which for any reason is exempt from taxation is leased, loaned, or otherwise made available to or used by a natural person, association, partnership or corporation, in connection with a business conducted for profit or as a residence, or both. NRS 361.157 lists situations to which the statute does not apply (exemptions or exceptions). Per NRS 361.157(2)(a), there is an exemption/exception for:

*“Property located upon a public airport, park, market or fairground,
or
any other property owned by a public airport,
unless
the property owned by the public airport is not located upon the public
airport and the property is leased, loaned or otherwise made available for
purposes other than for the purposes of a public airport, including, without
limitation, residential, commercial or industrial purposes”.*

Pursuant to NRS 361.2275, the possession must be durable, exclusive, and independent. Leases of property on a public airport or near a public airport would need to be examined on a case by case basis to determine if they meet this test.

The Department intends to research this issue further to provide appropriate direction to assessors.

Allocation

Per NRS 361.227, the county assessor should determine the full cash value of land by applying the sales comparison approach, unless sufficient comparable vacant sales are not available. NAC 361.119 describes alternative valuation methods that may be used if sufficient sales of comparable properties which were vacant land at the time of sale were not available. The allocation method is one of several alternative methods authorized by NAC 361.119. In the allocation method, the assessor compares many vacant and improved sales to determine an overall trend of how much of a purchase price of an improved sale relates to the land and how much relates to the improvements. The result is referred to as a land to building ratio. This ratio can then be applied to other improved sales to determine the land value of the improved sale.

The allocation method is described in Property Appraisal and Assessment Administration, 1990 Edition published by the International Association of Assessing Officers, on pages 196-197. Generally, the appraiser can determine a consistent overall relationship between land and improvement values for a given type of property and area.

The allocation method is sometimes referred to as the Land Ratio Method.

Base Lot

There are two principal applications of the sales comparison approach in land valuation: the comparative unit method and the base lot method. The base lot method is a method of appraising land parcels whereby each parcel to be appraised is compared with a parcel of known value, called the base lot, and differences between the two in terms of location, size, shape, topography and the like are analyzed by the appraiser in estimating the value of the lot so appraised.

This method uses the sales comparison approach to estimate the value of the base lot. The appraiser selects the most typical lot in the subarea as the base lot.

Standard of comparison

The base lot provides a standard of comparison to value the remainder of the parcels in the subarea by making adjustments for differences in property characteristics between the base lot and the subject parcel. The base lot method calculates adjustment amounts caused by differences in property characteristics between the base lot and other comparable sales. The application of these adjustment amounts to the base lot value for differences in property characteristics of individual subject parcels gives an estimate of value for all the parcels in the subarea.

Benchmarks

The base lot method establishes land sale properties as benchmarks for properties different from the base lot. Size, view, location, shape, topography, proximity to utilities, and access make up the most typical adjustments to land. Always develop the most supportable adjustment first, the next most supportable second, and so forth. One common method of market analysis to develop adjustment amounts involves the use of matched pairs. Matched pair analysis requires similarity of sales in all but one characteristic. For example two similar lots in the same neighborhood sell, one with a view and one without a view. Since one sale does not make a market, it requires a succession of these matched pairs to validate a view adjustment. An extension of the matched pair concept compares a sales grid to the base lot. For example, ten sales differ from the base lot in only one property characteristic. Two sales differ due to location, three sales differ due to street type, and five sales differ due to view. Remember; always determine the most supportable adjustment first. In this case, first calculate the view adjustment, then the street type adjustment, and finally the location adjustment.

Advantages

Advantages to the base lot method include accurate and supportable benchmarks that aid in the defense of values. Also, the base lot method has a high degree of explicability to the taxpayer. When an appraiser needs to adjust for many differences in property characteristics, the base lot method exhibits superiority over the comparative unit method. For additional explanation about the comparative unit method or the base lot method see Chapter Seven in Property Appraisal and Assessment Administration, 1990 Edition.

Examples:

An appraiser must analyze sales data and select a base lot value.

	Time-adjusted sales price	View	Traffic	Size	Adjusted sales price
Base Lot	N/A	Standard	Moderate	¼ acre	N/A
Comparable 1	53,000	Standard	Light	¼ acre	50,350
			(-.05)		(-.05)
Comparable 2	53,000	Standard	Moderate	¼ acre	53,000
Comparable 3	79,400	Premium	Light	¼ acre	55,580
		(-.25)	(-.05)		(-.30)
Comparable 4	47,000	Restricted	Moderate	¼ acre	54,050
		(+.15)			(+.15)
Comparable 5	64,000	Standard	Moderate	½ acre	44,800
				(-.30)	(-.30)
Comparable 6	45,000	Restricted	Heavy	¼ acre	56,250
		(+.15)	(+.10)		(+.25)

Comparable 2 reflects the base lot value at \$53,000. Measures of dispersion gauge the accuracy of base lot values. Large measures of dispersion indicate a need for additional analysis.

In the example above the values range from a low of \$44,800 to a high of \$56,250, and the average absolute deviation from the base lot value equaling \$2,955, or about 5.6 percent of \$53,000, indicates consistency among comparables.

If the appraiser encounters large measures of dispersion, further stratification generating additional base lots will reduce average absolute deviation.

Capitalization of Ground Rents

The performance of land valuation through direct capitalization of land rent requires land rented or leased independently of improvements. The capitalization of land (ground) rent method has application for commercial land with leases on a net basis. Appraisers evaluate leases to assure consistency of terms of the lease with current market requirements. Net rent from a lease of commercial land can be directly capitalized into an indication of land value.

The capitalization of ground rents method has application for valuing beneficial use of public lands as possessory interests. Examples include oil and gas leases, geothermal leases, renewable energy right-of way programs, and other beneficial use of public lands.

Examples:

Assume a piece of downtown land used for parking recently leased on a net basis for ten years at a rate of \$18,000 per year. Capitalized at the appropriate market rate of 10 percent, see the indicated market value below:

$$\$18,000 / 0.10 = \$180,000$$

Centrally Assessed Properties

The Department of Taxation, Division of Assessment Standards, Centrally Assessed section appraises, assesses, and taxes the property¹⁴⁵ of companies that are of an “interstate or inter-county nature”, for convenience referred to as “utilities.” A utility is a company whose operating property is used to conduct business across county or state boundaries. These types of companies include airlines, railroads, telephone companies, electric companies, gas companies, pipeline companies and private car line companies (railcars). As part of the utility taxation process, the Department allocates each company’s assessed valuation to individual counties and tax districts by formula prescribed by statute. The Department bills each taxpayer and collects and distributes the taxes based on the allocation and the tax rate applicable to the individual taxing entities.

The Department appraises utilities using the unit method of valuation. The unit method is the appraisal of a company’s taxable operating property, including land. The unit method considers the utility as a going concern whose assets operate as a whole and function as an economic unit. The Department may use the cost approach and consider the net book value of all taxable assets of the entire company in a valuation. The Department may also use the income approach and capitalize the company’s net operating income by an appropriate capitalization rate.

County assessors are responsible for mapping and tracking the land of centrally assessed utilities but not for placing any values of the local rolls. The value of land and improvements are placed on the central assessment roll. Local assessors should assign parcel numbers, map and track the land that becomes part of the utility central assessment but the local assessor should not assess the land. Coordination between the Department and the local county assessors is critical to assure that the taxable value of land neither escapes taxation nor appears on both the centrally assessed rolls and the local rolls.

The Department also calculates, assesses and taxes construction work in progress¹⁴⁶ (CWIP). The Nevada Tax Commission certifies the values. The most recent 12-month CWIP is assessed on the Centrally Assessed-unsecured roll. The previous six-month CWIP values are billed with the overall system value and assessed on the Centrally Assessed-secured roll. This 18-month lag period is created by calendar year reporting and fiscal year assessing pursuant to statute.

Appraisals performed on behalf of the county assessors

In addition to centrally assessed utilities, the Department performs appraisals on behalf of the county assessors for mining properties. These are not technically “centrally assessed properties”. The 1975 Legislature mandated that the Department value mining improvements and personal property of mining operations. NRS 362 specifies that the Department must physically appraise and assess mining improvements and personal property in the same manner that assessors use to value and assess all other improvements and personal property. Local county assessors are still responsible for the land valuation of land used for mining. The Department forwards the appraisals to the local assessor who adds the improvement and personal property to the local rolls.

The following types of operations are defined as mining: mines, oil and gas wells, geothermal wells. Excavation operations for aggregates, sand and gravel and randomly gathered rocks and stones not valued as mining operations: See Aggregates and Net Proceeds of Minerals sections.

¹⁴⁵ NRS 361.315 through 361.330

¹⁴⁶ NRS 361.321

Common Interest Communities

Timeshares: Generally, timeshares are not shown in the assessors records and the central owner is assessed the taxes. For example, if a timeshare is 1/64000 the assessor does not allocate the value to 64000 owners and send 64000 bills.

NRS 361.233 Assessment and valuation of real property within common-interest community.

1. Notwithstanding any other provision of law:
 - (a) Any ad valorem taxes or special assessments assessed upon any real property within a common-interest community:
 - (1) Must be assessed upon the community units and not upon the common-interest community as a whole; and
 - (2) Must not be assessed upon any common elements of the common-interest community.
 - (b) The taxable value of each parcel:
 - (1) Composed solely of a community unit must consist of:
 - (I) The taxable value of that community unit; and
 - (II) A percentage of the taxable value of all the common elements of that common-interest community which is equal to 1 divided by the total number of community units in that common-interest community; or
 - (2) Composed of a community unit and any portion of the common elements of the common-interest community must consist of:
 - (I) The taxable value of that community unit only; and
 - (II) A percentage of the taxable value of all the common elements of that common-interest community which is equal to 1 divided by the total number of community units in that common-interest community.
2. The Nevada Tax Commission shall adopt such regulations as it determines to be appropriate to ensure that this section is carried out in a uniform and equal manner that does not result in the double taxation of any common elements of a common-interest community.
3. For the purposes of this section:
 - (a) "Ad valorem tax" means an ad valorem tax levied by any governmental entity or political subdivision in this State on or after July 1, 2006.
 - (b) "Common elements" means the physical portion of a common-interest community, including, without limitation, any landscaping, swimming pools, fitness centers, community centers, maintenance and service areas, parking areas, hallways, elevators and mechanical rooms, which is:
 - (1) Intended for the general benefit of and potential use by all the owners of the community units and their invitees; and
 - (2) Owned:
 - (I) By the community association;
 - (II) By any person on behalf or for the benefit of the owners of the community units; or
 - (III) Jointly by the owners of the community units.
 - (c) "Common-interest community" means real property with respect to which a person, by virtue of his ownership of a community unit, is obligated to pay for any real property other than that unit. The term includes a common-interest community governed by the provisions of [chapter 116](#) of NRS, a condominium hotel governed by the provisions of [chapter 116B](#) of NRS, a condominium project governed by the provisions of [chapter 117](#) of NRS and any time-share project, planned unit development or other real property which is organized as a common-interest community in this State.
 - (d) "Community association" means an association whose membership:
 - (1) Consists exclusively of the owners of the community units or their elected or appointed representatives; and
 - (2) Is a required condition of the ownership of a community unit.
 - (e) "Community unit" means a physical portion of a common-interest community, other than the common elements, which is:
 - (1) Designated for separate ownership or occupancy; and
 - (2) Intended for:
 - (I) Residential use by the owner of that unit and his invitees; or
 - (II) Commercial use by the owner of that unit for the generation of revenue from any persons other than the owners of community units in that common-interest community and their invitees.

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(f) “Special assessment” means a special assessment levied by any governmental entity or political subdivision in this State on or after July 1, 2006.

(Added to NRS by [2005, 1231](#); A [2007, 1883, 2292](#))

Comparative Unit Method

There are two principal applications of the sales comparison approach in land valuation: the comparative unit method and the base lot method. The comparative unit method is a method of appraising land parcels in which an average or typical value is estimated for each stratum of land.

The Comparative Unit Method is a method of appraising land parcels based on an estimated average or typical value for each stratum of land. The calculated median or mean land sales price per unit represents the average or typical land value. All values chosen for each stratum requires analysis from market data. The appraiser must consider the reasonableness and consistency of choices for each stratum. Market data plotted on maps and driving around the appraisal area gives visual confirmation to the value choices in each stratum. This process verifies relative desirability of each stratum. Block to block analysis will reveal sales trends based on differences in proximity to parks and schools, traffic patterns, noise levels, housing styles and overall block attractiveness. After the establishment of comparative unit values, refinement to the individual parcel level by developing unit values for each block face will address most variations in land values within the area.

Front foot

Assessors use front foot when front footage significantly contributes to value. Buyers usually purchase prime waterfront lots and prime commercial lots by front foot.

Square foot

Assessors use square foot as a unit of comparison when the analysis indicates that sites typically sell for a given price per square foot of land area.

Acre

In general, market analysis will show that appraisers should use price per acre as the unit of comparison for large industrial sites rural and agricultural properties. Convert land area to acres by dividing square footage of land by 43,560 square feet per acre.

Site

Assessors use site value as a unit of comparison when the market does not indicate a difference in value due to land size. Typically, appraisers use site value as a unit of comparison for valuing residential subdivisions, planned unit developments and industrial parks.

Units buildable

When a parcel of land sells on a unit capacity basis, an appraiser will use units buildable as a unit of comparison. Apartment property sold by buildable apartment unit in a subarea area justifies the use of units buildable as the unit of comparison for apartment land.

Examples:

An appraiser must analyze land sales data and select the best unit of comparison.

Land Sale	Price	Price/lot	Front Foot	Price/FF	Sq. Ft.	Price/Sq Ft
1	68,000	68,000	100	680	7,500	9.07
2	36,000	36,000	50	720	4,500	8.00
3	35,500	35,500	50	710	5,500	6.45
4	50,000	50,000	75	667	5,625	8.89
5	69,500	69,500	100	695	9,000	7.72
6	51,000	51,000	75	680	5,625	8.89
7	35,000	35,000	50	700	5,500	6.36
8	70,000	70,000	100	700	9,000	7.78
9	69,500	69,500	100	695	7,500	9.27
10	52,500	52,500	75	700	5,625	9.33

Unit of Comparison	Range	Percent Difference
Price/Lot	\$35,000 to \$69,500	49.64
Price/Front Foot	\$667 to \$720	7.36
Price/Sq Ft	\$6.36 to \$9.07	28.88

In the example above the data indicates that price per front foot has the least percent difference, and the use of price per front foot will reduce variation in value when applied to subject properties. Divide the difference of the upper and lower limits by the upper limit to calculate percent difference.

Contaminated Property

NAC 361.123 Contaminated property: Definitions. ([NRS 360.090](#), [360.250](#), [361.227](#))

As used in [NAC 361.123](#) to [361.1236](#), inclusive, unless the context otherwise requires:

1. “Contaminated site” means:

(a) Land on which the release of a hazardous substance has been verified pursuant to [NAC 361.1232](#); or

(b) An improvement for which permeation or incorporation into construction by a hazardous substance has been verified pursuant to [NAC 361.1232](#),

→ on or before the assessment date of the property.

2. “Cost-to-cure” means the present value of the remedial work to be performed to remove, contain or treat a hazardous substance on the property being valued. The term includes the cost of continued monitoring of the site after the remedial work has been completed if such monitoring is required.

3. “Hazardous substance” means a hazardous material or hazardous waste as those terms are defined in [NRS 459.428](#) and [459.430](#), respectively.

(Added to NAC by Tax Comm’n, eff. 7-16-92; A by R031-03, 8-4-2004)

NAC 361.1232 Contaminated property: Burden of proof; documentation required. ([NRS 360.090](#), [360.250](#), [361.227](#))

1. The burden of proving that property has been contaminated and documenting the proof of contamination to support a possible reduction of the assessed value of the property lies with the owner of the property.

2. To verify the release of a hazardous substance on land or the permeation or incorporation into the construction of an improvement by a hazardous substance, the owner of the property must:

(a) Submit reliable, objective information, such as an engineering study, environmental audit, laboratory report or historical record, which proves to the satisfaction of the assessor that a hazardous substance has been released on the land or has permeated or been incorporated into the construction of an improvement;

(b) Show that the release, permeation or incorporation was reported to an appropriate governmental agency such as the National Response Center or the State Department of Conservation and Natural Resources; and

(c) Provide sufficient data to the assessor to indicate the status of a proposed or ongoing cleanup plan.

3. To document the proof of contamination to support a possible reduction of the assessed value of the property, the owner of the property must submit to the assessor:

(a) A list of available comparable sales of similarly contaminated property, if any;

(b) Any pertinent information concerning the cleanup of the hazardous substance; and

(c) Where there is an existing business operating on the contaminated site, records of income and expense necessary to allow the assessor to estimate the value of the real property, as if uncontaminated, by the income approach.

(Added to NAC by Tax Comm’n, eff. 7-16-92)

NAC 361.1234 Contaminated property: Determination of full cash value. ([NRS 360.090](#), [360.250](#), [361.227](#))

In determining, pursuant to [NRS 361.227](#), the full cash value of property that has been determined by the assessor to be a contaminated site:

1. The sales comparison approach may be used by comparing verified sales of similarly contaminated sites;

2. Where applicable, the income approach may be used by utilizing rent, vacancy and expense data derived from a survey of similarly contaminated sites with similarly used improvements; or

3. Where no sales or rental market exists for similarly contaminated properties:

(a) The value of the property for a specific use, or a specific user, reflecting the extent to which the property contributes to the utility or profitability of the enterprise of which it is a part may be determined by using the income approach, except that the value so determined must not exceed the full cash value of the property; or

(b) The present worth of the contaminated site may be determined by:

(1) Discounting the present worth of the property if it was contaminated by an off-site source or the cost-to-cure is not being borne by the current owner, or both, on the basis of the length of the delay caused by the contamination until the property can be developed to its highest and best use, readily sold or financed on the open market; or

(2) Using the present cash equivalency which represents the future reversionary value of the contaminated site after it is cleaned up to an extent that it is usable or developable to its highest and best use less the present worth of the yearly costs-to-cure if the current owner is incurring the remedial costs and an accurate forecast of the year-to-year costs to be incurred and the estimated date of the completion of the cleanup are available.

(Added to NAC by Tax Comm'n, eff. 7-16-92; A by R031-03, 8-4-2004)

NAC 361.1236 Contaminated property: Annual review. ([NRS 360.090](#), [360.250](#), [361.227](#))

The assessor shall review annually the assessment of any property which has been valued as a contaminated site pursuant to [NAC 361.123](#), [361.1232](#) and [361.1234](#) to ensure that the remedial work, if any, is being performed as scheduled and to verify the actual yearly cost-to-cure.

(Added to NAC by Tax Comm'n, eff. 7-16-92)

Contaminated Property Valuation

In 1992, the Nevada Tax Commission adopted the regulation to value contaminated properties. To correctly apply the regulation, gather for each contaminated site the data necessary to determine whether the current taxable value of the property exceeds its full cash value. The property owner is responsible for providing the information needed to support any possible reduction.

It is the responsibility of the assessor to review all properties yearly that may qualify for a reduction in value because of contamination. This review should include the following:

- A physical inspection of the site to verify the use of the property, if any.
- An analysis of any data submitted concerning the "clean-up" of the property. This analysis could include an audit of the cost to cure estimates or actual expenditures and the amount of time to "clean-up" the property.

When the information on each particular site has been gathered, determine whether the property owner has demonstrated the site is contaminated and a review for reduction is possible. If these provisions, as defined in the regulation, have been met, begin valuing the contaminated property.

If it is available, actual market data concerning contaminated sites is the most reliable information to use. If no market data exists concerning the contaminated property, calculate either the value in

use of the property, if applicable, or consider calculating the discounted present worth of the property.

The two examples below represent methods to adjust the cash value of contaminated properties. The discount rates and the yearly allocations of the cost to cure are for illustrative purposes only. The application of actual market rates, yearly costs, terms of remedial work and un-contaminated subject values may yield widely differing results.

Examples:

Contaminated Property Valuation

Example A:

The subject property is a vacant industrial site which has been contaminated by an identified off-site source. The responsible party has agreed to a clean-up plan which includes the subject property and will take 5 years to accomplish. The market value of the subject, if not contaminated, is \$500,000. The current rate of return on vacant industrial land is 9%.

The recommended method for adjustment to the assessed value is a discounted present worth.

FIRST YEAR ADJUSTMENT

The present worth of \$500,000, payable in five years, discounted at a 9% rate is:

\$500,000	(future value)
X .649931	(PW factor of one * 9% in 5 years)
\$324,966	(adjusted present taxable value)

SECOND YEAR ADJUSTMENT

Land values have been factored at 1.04 in the subject neighborhood. The current rate of return on industrial land had risen to 9 1/2%. Reversion is in four years.

\$520,000	(future value)
X .695574	(PW factor of one * 9 1/2% in 4 years)
\$361,698	(adjusted present taxable value)

THIRD YEAR ADJUSTMENT

The land values have been stable and factored at 1.00. The current rate of return on land has risen to 10% in the market.

\$520,000	(future value)
X .751315	(PW factor of one * 10% in 3 years)
\$390,684	(adjusted present taxable value)

FOURTH AND FIFTH YEAR ADJUSTMENTS

Continue to adjust using the then current cash value of land, as if un-contaminated, discounted at the current market rate of return at two and one year terms, respectively.

No negative values shall be assessed using this discounting method. NRS 361.230 requires that all land be assessed upon a valuation of no less than \$1.25 per acre.

Example B:

The subject property is a similar vacant industrial site; however, in this case the property has suffered contamination which is the responsibility of the owner to clean up.

The property, if not contaminated, would have a market value of \$500,000. The current rate of return on land is 9%. The owner of the property has contracted to have the remedial work done for \$200,000. The work will be accomplished in five years. The estimated cost break-down, payable at the first of every year, is as follows:

\$100,000	First year
50,000	Second year
20,000	Third year
20,000	Fourth year
10,000	Fifth year
\$200,000	Total

FIRST YEAR ADJUSTMENT

Present value of reversion of property in five years: $\$500,000 \times .649931$ (9%) = \$324,966

Less present value of cost to cure:

1st yr. -	\$100,000	X	1.000000	=	\$100,000
2nd yr. -	50,000	X	.917431	=	45,872
3rd yr. -	20,000	X	.841680	=	16,834
4th yr. -	20,000	X	.772183	=	15,444
5th yr. -	10,000	X	.708425	=	7,084
					\$185,234

Minus the total cost to cure:

\$324,966	-	\$185,234	=	\$139,732
Net Adjusted Taxable Value				

SECOND YEAR ADJUSTMENT

Land values have been factored at 1.04 in the subject neighborhood. The current rate of return on industrial land had risen to 9 1/2%. Reversion is now in four years. Present value of reversion of property in four years: $\$520,000 \times .695574$ (9 1/2%) = \$361,698

Less present value of cost to cure:

Present yr -	\$50,000	X	1.000000	=	\$50,000
2nd yr. -	20,000	X	.913242	=	18,265
3rd yr. -	20,000	X	.834011	=	16,680
4th yr. -	10,000	X	.761654	=	7,617
					\$92,562

Minus the total cost to cure:

\$361,698	-	\$92,562	=	\$269,136
Net Adjusted Taxable Value				

THIRD YEAR ADJUSTMENT

The land value has been stable and factored at 1.00. The current market rate of return on land is 10%.

Present value of reversion of property in three years: \$520,000 X .751314 (10%) = \$390,684

Less present value of cost to cure:

Present yr.	-	\$20,000	X	1.000000	=	\$20,000
2nd yr.	-	20,000	X	.909091	=	18,182
3rd yr.	-	10,000	X	.826446	=	<u>8,264</u>
						\$46,446

Minus the total cost to cure:

\$390,684	-	\$46,446	=	\$344,238
Net Adjusted Taxable Value				

FOURTH AND FIFTH YEAR ADJUSTMENTS

Continue to adjust using the then current cash value of the land reversion, as if uncontaminated, less cost to cure, both discounted at the current market rate of return at two and one year terms, respectively.

No negative values shall be assessed using this discounting method. NRS 361.230 requires that all land be assessed upon a valuation of no less than \$1.25 per acre.

Cost Approach

The cost approach is one of the three approaches to value. The cost approach is based on the principle of substitution – that a rational, informed purchaser would pay no more for a property than the cost of building an acceptable substitute with like utility. The cost approach seeks to determine the replacement cost of an improvement less depreciation plus land value.

The cost approach is not used in land valuation. Therefore, discussion of the cost approach is not included in this land valuation project.

Cost of Development (Or Anticipated Use) Method

The cost-of-development method is a method of appraising undeveloped land, whereby an estimate is made of the probable proceeds to be obtained from selling the land as subdivided, developed parcels. The cost of so developing the raw land is subtracted from this estimate to obtain an estimate of the value of the land.

In the absence of sufficient land sales data, the appraiser hypothetically develops the vacant site. This method involves some speculation, and the projected improvements must represent the most probable use of the land. The results of this method, based in the principle of surplus productivity, indicates the price a prudent developer will pay for land in its present undeveloped condition by subtracting the total development costs from the projected sales prices of the lots as if developed. The appraiser calculates the residual land value after the satisfaction of labor, capital, and management.

Advantages and Disadvantages

The anticipated use or cost of development method serves as a backup method to substantiate the direct sales comparison method. The cost of development method falls under criticism primarily because of its hypothetical nature. Appraisers must not arbitrarily select percentage of projected sale price as the indicated value of the raw land. In order to defend the land values generated from this method, the appraiser must perform a study of the market, and solicit the necessary technical assistance to develop a reliable percentage of projected sale prices. This method serves as a substitute only when the subject market area lacks sufficient land sales to employ the direct sales comparison method.

Examples:

A study of the market with necessary technical assistance shows the distribution of costs for site development at 25 percent, overhead and sales expense at 25 percent, and profit and interest at 25 percent.

Projected sale price of tract (36,000 X 100 lots)		\$3,600,000
Site development: streets, sewers, water service, site preparation, planning	\$ 900,000	
Overhead and sales expense	\$ 900,000	
Profit, interest, and entrepreneurial profit	<u>\$ 900,000</u>	
Less estimated total development costs		<u>\$2,700,000</u>
Indicated value of undeveloped land		<u>\$ 900,000</u>

Deferred Taxes – Agricultural, Historical and Open Space Property

When any portion of a property assessed as agricultural use, open space (including golf courses), or historical property converts to a higher use, assessors must compute and assess the deferred taxes. NRS 361A.265 through 361A.299 detail the provisions regarding the calculation and assessment of deferred taxes and the mechanism of recapture. NAC 361A.210 through 361A.240 provides additional direction for this subject

NRS 361A.265 indicates that deferred taxes are due when a property is converted to a higher use. NRS 361A.031 defines "Converted to a higher use" as a change in a property's use that originally enabled the property to receive approval for an agricultural use or open space assessment. A conversion results from:

- a. A physical alteration to the surface of the property enabling it to be put to a higher use.
- b. The recording or the existence of a final map or parcel map which creates one or more parcels not intended for agricultural use.
- c. A change requested by the property owner in the property's zoning to a higher use.

If the change in use is not a higher use, deferred taxes are not due. For example, if a property previously qualified for agricultural use or open space use is simply no longer used for that purpose and is just vacant land, the use of the land is not "higher" than agricultural or open space use. The terminology "coming out of Ag/Open Space" is sometimes used to describe this situation. Properties "coming out of Ag/Open Space" are assessed the same as all other real property following the change in use but deferred taxes are not due. A property may simply not meet the minimum requirements for agricultural or open space use assessment or the property owner may not wish to receive the benefit of deferred taxes. If the property has not converted to a higher use, deferred taxes are not due but the property is assessed like other property following the change.

If a property is "converted", the assessor calculates and arranges for the collection of deferred taxes based on the agricultural or open space use assessment within the preceding seven years¹⁴⁷, including the current year. A shorter period may be applicable if the property was not assessed as agricultural or open space in the entire seven year period.

The deferred taxes due are the difference between the taxes paid based on agricultural or open space use assessments and the taxes that would have been due if the property had been assessed in the same manner as all other real property. Therefore, the assessor must determine taxable value for each year of the converted property's deferred taxes based on taxable values of comparable properties in each year. Based on this information, the assessor must apply the assessment rate and tax rate applicable to each year to determine taxes that would have been paid had the property been assessed in the same manner as other real property. The difference between the "as if" taxes and the taxes actually paid during those years is the amount of deferred taxes due.

Per NRS 361.270, the property owner must notify the assessor, in writing, within 30 days following a change of use of any portion of a property currently receiving an agricultural use assessment. At this time, the property owner should give the assessor a copy of the survey that delineates the boundaries of the converted portion. Per NRS 361A.283, the assessor must assess a penalty of 20% of the total accumulated taxes due for each year that the deferred taxes were not collected

¹⁴⁷ NRS 361A.280

because the taxpayer failed to give the written notice. If only a portion of a property converts, the Assessor must keep records of the taxes paid on the converted portion until the total property converts or becomes inactive. A non-surveyed/non-recorded portion of property that converts to a higher use forces the conversion of the entire property.

Assessors must properly notice the owners and assess their agricultural use property that has converted to a higher use. NRS 361A contains detailed instructions. If the deferred taxes are not assessed in the year they became due, the Assessor has five fiscal years to make the correct assessments. The deferred taxes and penalties levied constitute a perpetual lien until paid, along with the accumulated interest incurred. When a property relinquishes its agricultural use status but does not convert to a higher use, the lien remains for seven years; it is gradually removed as earlier years expire.

As with agricultural real property, Assessors must assess and collect the deferred taxes pertaining to open-space property that converts to a higher use. Assessors apply the discount each year to the taxable value of open-space property to arrive at its open-space value. The amount of deferred taxes due is the difference between the taxes paid on the open-space use assessment and the taxes that would have been paid if assessed using taxable value. Assessor must keep accurate records on open-space property and timely assess and collect the deferred taxes when this type of property converts to a higher use.

Divisions of Land

Nevada state laws and regulations related to planning and zoning, including laws related to divisions of land, are primarily contained in NRS Chapter 278 and NAC Chapter 278. NRS 278A and NAC 278A contain provisions for divisions of land as part of a planned unit developments (PUD). In addition to state laws and regulations, counties and cities may adopt ordinances or resolutions related to planning and zoning, including divisions of lands. Practices vary in each county, including zoning or lack of zoning, master plans or comprehensive plans, and other requirements and conditions of approval such as dedication of infrastructure, water rights, roads, easements, rights-of-ways, or land for public parks.

The applicant's intent for division of land may vary from a simple parcel map in a rural area to a complex development for commercial, industrial, and residential uses. A full discussion of the processes for divisions of land is beyond the scope of this project; however, a basic understanding is required in order to apply laws and regulations for land valuation. Assessors in Nevada work closely with other county officials responsible for planning, zoning, and community development, as well as county officials responsible for building permit, inspection and code enforcement.

In general, land is held based on a legal description and can only be conveyed (deeded) based on that legal description. For example, an owner may have obtained title to a single parcel of land containing 640 acres based on a legal description of "all of section XX of township 2 north, range 60 east, Mount Diablo Base and Meridian". The owner cannot convey parts of the land until the land is further "parceled" and new legal descriptions are authorized. In this example, if the owner desired to "change" the legal description to describe four parcels instead of one parcel, the owner must follow state laws and regulations as well as local ordinances, obtain approvals, and ultimately file a "final" map as described in NRS 278 or NRS 278A. Following recordation of the "final" map, the owner can then legally convey any or all of the parcels based on the "new" legal descriptions listed on the "final" map.

The Assessor parcel numbering system generally coincides with legal parcel descriptions; however, Assessor parcel systems may include contiguous legal parcels in a single assessor parcel number for administrative convenience. Deeds generally must contain appropriate legal descriptions usually cross referenced to Assessor Parcel numbers. State statutes and regulations contain a full description of the requirement of an Assessor Parcel system and requirements for mapping and maintenance of databases for ownership. The assessor must continually update records for divisions of lands.

The divisions of land statutes generally provide for different treatment for divisions of four lots or less (NRS 278.461 through NRS 278.469) and divisions of 5 or more lots (NRS 278.320 through 278.460). Generally, if the resulting parcels will be 40 acres or more, statute (NRS 278.471 through 278.4725) allows for a "Division of Land Into Large Parcels" process that may include any number of lots. The statutes also describe other circumstances resulting in revisions to parcels (revisions of legal descriptions of land). In addition, land can be parceled through a PUD (NRS 278A).

Developments occur over time and usually in phases. Plans for a subdivision¹⁴⁸ of land may exist for numerous parcels but maps actually dividing the land may be a series of parcel maps containing four or less lots each. Alternately, a single map of five or more lots or a series of maps of five or more lots may be recorded to actually divide the land. Documentation of this process is critical in valuing the parcels within the subdivision and valuing select parcels as a subdivision per NAC 361.129 and 361.1295 (the “Subdivision Discount”). Lot values are also influenced by the level of improvements actually constructed according to conditions imposed in the process.

Valuation of land is often based on the size of parcels. An understanding of the process for determining the legal parcel is important to assumptions used in mass appraisal of land. Legal restrictions and conditions for development also influence land value. Assessors are encouraged to keep current with these processes in their counties and to document the processes in their records.

¹⁴⁸ Per NRS 278.320, “Subdivision” means any land, vacant or improved, which is divided or proposed to be divided into five or more lots, parcels, sites, units or plots, for the purpose of any transfer or development, or any proposed transfer or development, unless exempted ...

Geothermal Leases

A business may enter into a lease of exempt real property (for example, property administered by the Bureau of Land Management (BLM), Forest Service, or Bureau of Indian Affairs) for exploration for or productive use of geothermal resources. The following map shows both producing and non-producing geothermal leases in Nevada.



Source: BLM GeoCommunicator

<http://www.geocommunicator.gov/blmMap/Map.jsp?MAP=Energy>

The majority of geothermal leases on public land are non-producing leases. The lessee may conduct exploration activities on the lease to determine whether or not a production well would be economically feasible. The following map shows the producing geothermal properties in Nevada.



Source: BLM GeoCommunicator

<http://www.geocommunicator.gov/blmMap/Map.jsp?MAP=Energy>

Geothermal resources are generally used to produce electricity for sale into the electrical grid. Nevada geothermal electrical production in 2008 from federal and private lands combined was 1,755,200 MWh (Megawatt hours) gross and 1,383,211 MWh net (Nevada Division of Minerals, 2009).

Assessment:

BLM issues three types of geothermal resource leases in Nevada: competitive, noncompetitive, and noncompetitive direct use. The successful bidder in any process executes a standard lease¹⁴⁹ with the BLM for a primary term of 10 years. Under a competitive lease, the lessee pays BLM \$2 per acre for the first year, \$3.00 per acre per year for the second through the tenth year, and \$5 per acre per year thereafter. Under a noncompetitive lease or noncompetitive direct use lease, the lessee pays BLM \$1 per acre per year for the first 10 years and \$5 per acre per year thereafter. A direct use lease involves use of the geothermal resources, without sale, for purposes other than generation of electricity. Once a lease is producing, BLM charges a royalty based on gross proceeds of sales. Royalty rates range from 1.75% to 10% depending on the types of sales. In a noncompetitive bid, the bidder must remit the first year's rental at the rate of \$1 per acre plus a processing fee of \$365. In a competitive bid, the bidder must remit 20% of the bid, the first year's rental at the rate of \$2 per acre plus a processing fee of \$140. .

Non-producing geothermal resources possessory interest:

NRS 361.157(2)(g) specifically exempts non-producing geothermal leases from taxation of the possessory interest. County Assessors are responsible for discovery and taxation of any improvement or personal property of the lessee on the leased land.

Producing geothermal and possessory interests

Once the geothermal resource is developed and put into production, it is treated as other mining properties. Improvements and personal property of productive geothermal properties are appraised by the Department of Taxation with the appraisal forwarded to the local county assessor for placement on the local tax rolls. The local assessor is responsible for land valuation. Per NRS 361.100(a) the Department of Taxation determines the net proceeds of the geothermal operations and taxes the lessee/operator accordingly.

If a possessory interest exists for land used in geothermal operations, the possessory interest is locally assessed. The income stream that should be capitalized to determine the value of a BLM lease is the annual rentals. The assessments of possessory interests in geothermal leases would normally be billed on the unsecured roll. The tax due does not constitute a lien on the property.

¹⁴⁹ Form 3100-011 available for download at the BLM website <https://www.blm.gov/FormsCentral/show-form.do?nodeId=687#>

Golf Courses

There are approximately 133 golf courses in Nevada. The majority of the courses are in the more populated areas of the state including Clark County and the Reno-Tahoe area. Some golf courses are operated by government entities such as counties and cities and are exempt from taxation (Municipal Courses). Some golf courses are owned and operated by taxable entities and are either open to the public or club members and guests (Public or Private Courses).

Golf courses in Nevada are automatically designated as open space for purposes of property tax per NRS 361A. The Nevada Tax Commission annually publishes a manual¹⁵⁰ for valuation of golf courses.

According to statute, a Golf Course¹⁵¹ is real property that may be used for golfing or golfing practice by the public or members and guests of a private club and improvements to the real property. A clubhouse, pro shop, restaurant, or other building associated with a golf course is specifically excluded from the definition of Golf Course. A commercial golf driving range that is not operated in conjunction with a golf course is also specifically excluded from the definition of Golf Course.

According to regulations, Golf Course Land¹⁵² is defined as land underlying a Golf Course (including “Golfing Improvements” and “Related Improvement”¹⁵³), and any appurtenant areas needed for use of the golf course or improvements. Therefore, only Golf Course Land is assessed as open space. Other land that is not Golf Course Land (excess or surplus land) is assessed at full cash value.¹⁵⁴

The Department intends to seek clarification on the issue of the definition of Golf Course in statute and the definition of Golf Course Land in the regulation. The specific question is the “Related Improvements” definition in regulations. No findings will be made until the issue is clarified. The Department also intends to seek clarification on whether or not land underlying a Golf Course owned by a tax exempt entity such as a city or county must be valued per NRS 361A or NRS 361.227.

In addition, if the parcel is owned by a tax exempt entity, the assessor must determine if a taxable possessory interest exists.

There are also limitations on the valuation of improvements on golf course property that can be found in the Golf Course Cost Tables and the Marshall and Swift Service. Discussion of this is not included because the scope of this report is land valuation.

¹⁵⁰ NRS 361A.225(2), as an addendum to the Ag Manual

¹⁵¹ NRS 361A.0315

¹⁵² NAC 361A.340

¹⁵³ NAC 361A.350 and NAC361A.370

¹⁵⁴ NRS 361.227

Historical Structures

Historical structures located on land designated as open space (See Open Space below) also receive the favorable tax treatment discussed in the Open Space section below.

Income Approach

The income approach is one of the three approaches to valuation. The income approach uses capitalization to convert the anticipated benefits of ownership of property into an estimate of present value.

The income approach is described in detail in Chapters 11 and 12 of Property Appraisal and Assessment Administration, 1990 edition published by the International Association of Assessing Officers.

Land Residual Technique for Determining Land Value

When few vacant land sales exist, alternative techniques exist to obtain land values by subtracting improvement value from total value of improved properties. The land residual technique is one of the alternatives for determining the residual value of land from the value of improved properties.

The Land Residual Technique is defined in NAC 361.115 and is used by applying the income approach to determine the total full cash value of an improved property. The full contributory value of the improvements is then subtracted from the total full cash value with the result representing the land value (residual land value).

Land Residual Capitalization

Assessors apply the land residual capitalization technique with a known improvement value coupled with the absence of vacant land sales to support the land value. The relatively new improvements must represent the highest and best use of the land, and have no observed depreciation to accurately estimate their value. The land residual technique uses straight line, annuity, or sinking fund income capitalization methods. Information necessary to process a land residual technique problem includes

- the net operating income
- the building value
- the proper discount rate
- the proper recapture rate
- the effective tax rate

Examples:

Example 1:

Capitalization using the straight-line recapture method with the land residual technique.

Assumptions:

Building value	\$240,000
Remaining economic life	40 years
Discount rate	10%
Annual gross rental income	\$ 50,000
Annual operating expenses	\$ 10,000

Calculations:

Gross annual income	\$50,000
Less annual operating expenses	\$10,000
Net annual income	\$40,000
Building value	\$240,000
Times capitalization rate (10% discount rate + 2.5% recapture + 2.5% effective tax rate)	15%
Income attributable to the building	\$36,000
Net annual income less income attributable to the building	\$4,000

To calculate land value, divide income attributable to the land by the discount rate of 10% plus the effective tax rate of 2.5%. There is no recapture increment in the land capitalization rate.

Building	\$240,000
Land (\$4,000/12.5%)	\$32,000
Net annual income	\$40,000
Building value	\$240,000
Times capitalization rate (10% discount rate + 2.5% recapture + 2.5% effective tax rate)	15%
Income attributable to the building	\$36,000
Net annual income less income attributable to the land	\$4,000
Total	\$272,000

Example 2:

A two-year-old office property has a net operating income (NOI) of \$200,000 per year. The building is valued at \$1,200,000 and has an estimated 40-year remaining economic life. The current discount rate is 10%, current effective tax rate is 2% and the recapture rate is (1/REL of 40 years = 0.025 or 2.5%).

Capitalization Rate:

Discount Rate	10%
Recapture Rate	2.5%
Effective Tax Rate	2%
	14.5%

Net income before recapture and real estate taxes	\$200,000
Less income from building (0.145 x 1,200,000)	<u>\$174,000</u>
Income attributable to land	\$ 26,000
Land Value \$26,000 / 0.12 (Discount Rate + ETR)	\$216,666

Example 3

Land Residual Method (Annuity Capitalization) with the same assumptions as stated in example 2.

Net income before recapture and real estate taxes	\$200,000
Partial payment factor 10% for 40 years	0.1023
Effective tax rate	<u>0.0200</u>
Total	0.1223
Less income from building (0.1223 x 1,200,000)	<u>\$146,760</u>
Income attributable to land	\$ 53,240
Land Value \$53,240 / 0.12 (Discount Rate + ETR)	\$443,666

Land Use Codes

Land use codes are used for categorizing property in the assessment roll, the statistical analysis of the roll, and for other purposes required by the Department by regulation. Land use codes are also used for non-statutory purposes deemed appropriate by the county assessor. The regulatory use of land use codes is discussed in NAC 361.154 and Regulation R039-01.

NAC 361.154 Assessment roll: Filing; order of entries. ([NRS 360.090](#), [360.250](#), [361.390](#))

1. The assessment roll filed with the Secretary of the State Board of Equalization must include:
 - a) The parcel number of each property;
 - b) The name of the owner of each property;
 - c) A Land Use code for each property designating its current actual or authorized use as prescribed by the Department;
 - d) The year of the last physical reappraisal of each property at which time the taxable value of the property was determined; and
 - e) The assessed value of the land, improvements and personal property, separately stated.
2. When feasible and appropriate, the entries on the assessment roll must be in order by parcel number, not alphabetically by the name of the owner.

Regulation R039-10, section 29 further expanded the Department's role and responsibility to standardize the land use codes. Section 29 is effective January 1, 2011.

Sec 29.

1. The Department shall prescribe and annually publish a code of categories of land use, which:
 - a) Must include and define at least the following primary categories:
 - (1) Vacant land.
 - (2) Single-family residential land.
 - (3) Multi-residential land.
 - (4) Commercial land.
 - (5) Industrial land.
 - (6) Rural land.
 - (7) Utilities
 - b) May include and define any secondary categories that the Department deems to be appropriate for each primary category.
2. The Department shall:
 - a) Consider any recommendation submitted by any county assessor in this State regarding the amendment of the code prescribed pursuant to subsection 1; and
 - b) If the Department disapproved of any such recommendation, notify each county assessor in this State of the reasons for that disapproval.

The land use codes currently used for the assessment roll and the statistical analysis of the roll are:

10-19	Vacant Land:
10	Vacant Unknown
11	Vacant Under Development
12	Vacant Single Family
13	Vacant Multiresidential
14	Vacant Commercial
15	Vacant Industrial
16	Vacant Splinter Parcel
17	Vacant Other Unbuildable
18	Minor Improvements
19	Public Lands or Vacant Parks
20 & 22	Residential Single Family
20	Single Family Residence
22	Manufactured Home Converted to Real Property
21,24,25	Residential Townhouses/Condos
21	Townhouse/Condo
24	Common Area
25	Townhouse/Condo valued as apartment use
23 & 26	Mobile Homes
23	Personal Property Manufactured Housing billed on secured roll
26	Personal Property Manufactured Housing billed on unsecured roll
30-36	Multiresidential
30	Duplex
31	Two single family units on one parcel
32	3-4 units
33	5-9 units
34	10 or more units
35	Manufactured Home Park
36	Multiresidential Parking
40-44	Commercial
40	General Commercial
41	Offices, Professional, Business Services
42	Casino or Casino Hotel
43	Commercial Hotel or Motel
44	Resort Commercial
50-52	Industrial
50	General Industrial
51	Commercial Industrial
52	Heavy Industrial
60	Agricultural
62	Open Space
63	Patented Mining Claims
64	Mining Properties Including Mills
67	Aggregate, Quarries, Etc.
70	Centrally Assessed Properties
71	Intracounty Public Utiles
72	Locally Assessed portion of Centrally Assessed

Land Use Codes presently used by assessors include:

Vacant

100	Vacant unknown
110	Under development- should be checked next year for likely additional development. This applies to land only
120	Vacant Single Family
124	Vacant with Common Area Improvements
130	Vacant Multiresidential
140	Vacant Commercial
150	Vacant Industrial
160	Splinter- unbuildable because of small size or shape- minimum value
170	17 Other unbuildable- roads, legal restrictions, cemetery, extreme terrain, etc.
180	Minor Improvements- No useable structures
182	Minor Improvements- (Useable Building but no livable structures)
184	Commercial w/Minor Improvements
185	Industrial w/Minor Improvements
190	Public Lands or Parks- Vacant

Single Family

200	Single Family Residence
201	Single Family Residence under construction
210	Condominium or Town House
211	Condominium or Town House under construction
220	Manufactured Homes converted to real property
222	Converted Manufactured Home with site built additions
230	Personal Property Manufactured Home- on unsecured roll
240	Common area
250	Condominium or Town House valued as Apartment use
260	Personal Property Manufactured Home- on secured roll
262	Manufactured Home with Site Built Additions (Not Converted)
261	Manufactured Home Conversions PENDING

Multiresidential

300	Duplex
301	Duplex under construction
310	Two single family units- may include a residence or manufactured home
312	Multi-Family Residence w/Manufactured Home Conversion
320	Three to four units- may include mixed residences, manufactured homes
321	Apartments or Low Rise Multiples under construction
322	Apartments or Low Rise Multiples
330	Five to nine units- may include mixed residences, manufactured homes
331	Apartments or Low Rise Multiples under construction (5-9 Units)
332	Apartments or Low Rise Multiples (5-9 Units)
333	Exempt or Partially Exempt Apartment Buildings
340	Ten or more units, may include mixed residential hotels or motels, fraternity houses, etc.
341	Apartments or Low Rise Multiples under construction (10 or more Units)
342	Apartments or Low Rise Multiples (10 or more Units)
350	Manufactured Home Park- 10 or more manufactured home units

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360	Multiresidential Parking, etc.- area necessary to multiresidential function
<u>Commercial</u>	
400	General Commercial- retail, mixed, schools, hospitals, gas stations, etc.
401	General Commercial Buildings under construction
402	Parking and/or Parking Structures
403	Restaurants
404	Convenience Stores
405	Commercial with Residence
406	Commercial with Multi-Residence
407	Commercial with Apartment or Apartments
408	Bars or Taverns without Restaurants
410	Offices, Professional and Business services
411	Offices, Professional and Business services- under construction
412	Residence used as Commercial Business
420	Casino or Hotel Casino
421	Casino or Hotel Casino under construction
430	Commercial Hotel or Motel
431	Commercial Hotel or Motel under construction
432	Bed and Breakfast
440	Resort Commercial- ski resorts, auto collection, sports facilities, convention center, etc.
441	Resort Commercial- ski resorts, auto collection, sports facilities, convention center, etc. -under construction
460	Leasehold Commercial Property
<u>Industrial</u>	
500	General Industrial- light industry, trucking and warehousing, service, repair, etc.
501	General Industrial- light industry, trucking and warehousing, service, repair, etc. under construction
510	Commercial Industrial- retail or office use combined with industrial use
511	Commercial Industrial- retail or office use combined with industrial use under construction
512	Mini-Warehouses
513	Truck Stops
514	Truck Stop with Motels
520	Heavy Industrial- concrete or block plant, feed mills, railroad yards, tank farms, etc.- businesses that tend to have air and noise pollution
521	Heavy Industrial- concrete or block plant, feed mills, railroad yards, tank farms, etc.- businesses that tend to have air and noise pollution under construction
560	Leasehold Industrial
<u>Rural</u>	
600	Agricultural Deferred VACANT (does not include federal leased land)
602	Agricultural Deferred with Residence
603	Agricultural Deferred with Manufactured Home
604	Agricultural Deferred with Commercial
605	Agricultural Deferred with Improvements but no residences
606	Agricultural Deferred with Industrial
607	AG with residential land value but no residence currently in existence

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608	AG Deferred with multiple residences
620	Open-space qualified
630	Patented Mining Claims
632	Patented Mining Claim with Residence
640	All other Mining Property including mills
660	Golf Courses
670	Aggregates, quarries, etc.
690	Public Land and Parks- Improved
<u>Utilities</u>	
700	Centrally Assessed Public Utility
710	Intracounty Public Utility
711	Intracounty Public Utility Under Construction
720	Centrally Assessed with a portion locally assessed
721	Centrally Assessed with a portion locally assessed under construction
730	Alternative Energy

The Department is currently working on a publication on land use codes.

Mass Appraisal

Mass appraisal, in general, is application of land valuation analysis to more than one parcel within a market area. Single property appraisal or fee appraisal, in general, is application of land valuation analysis to a single parcel or a group of parcels of interest to the appraiser's client. The general principles used in land valuation are the same in either application. A good mass appraisal system produces equitable values for many properties at a fraction of the cost of one-at-a-time appraisals.¹⁵⁵ Furthermore, only a mass appraisal system can address the question of uniformity and equity in assessments.

The steps that occur in either process are similar, but market analysis, valuation, and quality control are handled differently. Data management, whether manual or computerized, is an essential element in mass appraisal. A sales analysis system, whether manual or computerized, is an essential element in mass appraisal. These systems provide the input for the valuation system, whether manual or computerized, to determine values for parcels in a given market area. Statistical testing can be used in mass appraisal to test the accuracy and consistency of the valuations.

Generally accepted mass appraisal principles are used throughout the world for the purpose of equitable and efficient appraisal of all property within a jurisdiction for ad valorem tax purposes. Nevada statutes and regulations provide the assessor with the tools to apply mass appraisal in their jurisdictions.

The objectives of this land valuation project essentially evaluate the mass appraisal systems, whether manual or computerized, in place in each county in the state of Nevada. For further information about mass appraisal, please refer to the following references:

- Property Appraisal and Assessment Administration
- IAAO standards
- Statutes and Regs

Some special-purpose properties are not effectively valued using mass appraisal. County assessors may perform processes similar to single-property appraisal for “fee” appraisal to determine a value for these properties.

The flowcharts in Appendix C of this report show the general workflow used by all counties, large and small, to perform mass appraisal. Some mass appraisal systems are very sophisticated and rely heavily on technology. Other mass appraisal systems are very simple and do not rely as heavily on technology. The underlying workflow and principles are the same in either environment.

¹⁵⁵ Property Appraisal and Assessment Administration, page 303

Mining Improvements Appraised by the Department of Taxation

Generally, the local assessor is responsible for the appraisal and assessment of land, improvements and personal property located in their county; however, there is an exception for mining, oil and gas, and geothermal improvements and personal property associated with active operations. NRS 362.100(1)(b) states that the Department shall *“appraise and assess all reduction, smelting and milling works, plants and facilities, whether or not associated with a mine, all drilling rigs, and all supplies, machinery, equipment, apparatus, facilities, buildings, structures and other improvements used in connection with any mining, drilling, reduction, smelting or milling operation as provided in chapter 361 of NRS.”* The Department performs the appraisals on behalf of the county assessor and forwards the information to the County Assessor. The County Assessor then lists the improvements and personal property on the local secured or unsecured roll, as appropriate. The County Assessor is responsible for appraisal and assessment of the surface¹⁵⁶ of the land on the local secured roll.

The Department of Taxation is responsible for assessment and collection the Net Proceeds of Minerals Tax¹⁵⁷ that includes not only mining but also oil and gas and geothermal operations. The Net Proceeds of Minerals Tax is separate and distinct from the taxation of the land surface, improvements and personal property used in the operation. The Net Proceeds of Minerals Tax is essentially a tax on the mineral estate of the land when the minerals are sold in lieu of annual taxation of the mineral estate of the land (sometimes referred to as “in situ”). See the Net Proceeds of Minerals Tax section of this appendix for further information.

Although the Centrally Assessed section of the Department performs improvement and personal property appraisals on behalf of the county assessors, this property is not technically “Centrally Assessed” in that it is not included on the Central Assessment Roll. Similarly, the Centrally Assessed section of the Department administers the Net Proceeds of Minerals Tax program, however, this function is not technically “Centrally Assessed” in that it is not included on the Central Assessment Roll.

¹⁵⁶ NRS 362.030

¹⁵⁷ Article 10 Section 5 of the Nevada Constitution and NRS 362

Mining Land Valuation

The county assessor is responsible for appraisal and assessment of the surface of land used in active mining operations and is responsible for listing of the improvements and personal property appraised by the Department on behalf of the assessor. See Mining Improvements Appraised by the Department of Taxation above.

Mining operations may occur on land that is owned or leased by the mining company, or on land that may be claimed from the federal government as patented or unpatented mining claims. In addition, there may be exemptions from taxation of the surface of the land.

If the county assessor determines that the mining operations are occurring on unpatented mining claims, the assessor should document the non-taxable possessory interest (NRS 361.157) in the surface based on available information. NRS 361.075 provides an exception from taxation of unpatented mines and mining claims. Therefore, unpatented mining claims are non-taxable possessory interests. See Unpatented Mining Claims below.

If the county assessor determines that the mining operations are occurring on patented mining claims, the assessor should value the land based on available information. An exception from taxation may be available per NRS 362.030 through 362.095, Affidavit of Labor on Patented Mining Claims for the Exception (Exemption) of Taxes. If an Affidavit is not filed, the land must be assessed at the greater of full cash value or \$500 assessed value per claim per NAC 362.410. See Patented Mining Claims below.

If the mining operations are occurring on land that the mining company owns and is not a patented mining claim, the county assessor should value the surface based on available information. No exemption from taxation is applicable.

If the mining operations are occurring on land that the mining company is leasing from a taxable entity, generally the owner will be taxed and the mining company and the owner will work out whatever arrangements are necessary. The county assessor generally would not be involved in any agreement. If the mining operations are occurring on land that the mining company is leasing from a tax exempt entity (not through unpatented mining claims), the county assessor will need to evaluate whether or not a taxable possessory interest in the surface exists per NRS 361.157.

Net Proceeds of Minerals Tax

The Nevada Constitution Article 10 Section 5 provides for the Net Proceeds of Minerals Tax in lieu of taxation of minerals¹⁵⁸ in the earth (sometimes referred to as in situ). In other words, the Nevada Constitution provides that specific minerals will be taxed only when they are removed from the land and sold. The tax is based on the actual production of minerals from all operating mines, oil and gas wells, and geothermal operations in Nevada for the prior calendar year.

The current statutory and regulatory guidance for the Net Proceeds of Minerals Tax is provided in NRS 362 and NAC 362. Net proceeds are determined by deducting allowable mining expenses from the gross yield of a mined product. Gross yield represents the amount in dollars derived from the first sale of the mined product that have been converted to a form ready for use or sale. The Nevada Department of Taxation, Division of Assessment Standards, Centrally Assessed group processes information, audits taxpayers, and bills, collects and distributes the tax revenue.

There are essentially two groups of taxpayers that are subject to the Net Proceeds of Minerals Tax: operators and royalty owners. The tax rate¹⁵⁹ applied to the Net Proceeds will generally be between the specific rate levied where the mine is located and 5% depending on the certified Net Proceeds. The tax rate on royalties is 5%.

With the exception of geothermal, a portion of the overall tax liability is based on the local rate where the mine is located and the balance, up to the constitutional limit of 5%, is the state portion of the tax. For example, if the tax rate on the net proceeds of a particular mine is 5% and the local rate where the mine is located is 3.64%, then the state general fund portion is 1.36% (5% - 3.64%). As another example, if the tax rate on net proceeds for a particular mine is 2% and the local rate where the mine is located is 3.64%, the local entities would receive the entire amount. The net proceeds of geothermal operations are taxed at the local rate where the mine is located.

The Department produces an annual “Net Proceeds of Minerals Bulletin” that is available on the Department’s website at <http://tax.state.nv.us>

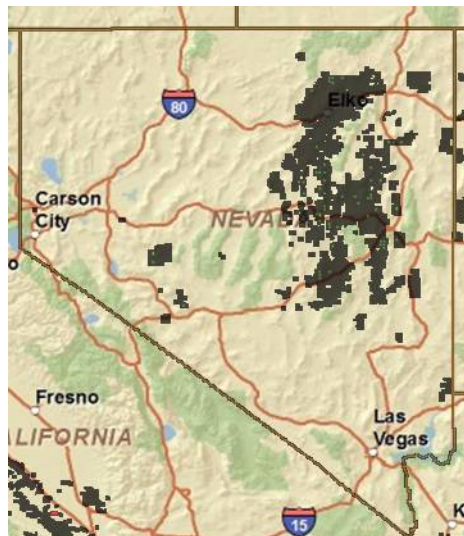
¹⁵⁸ Per NRS 362.010(2) “Mineral” includes oil, gas, and other hydrocarbons, but does not include sand, gravel, or water, except hot water or steam in an operation extracting geothermal resources for profit.

¹⁵⁹ See NRS 362.140 for tax rates

Oil and Gas Leases

Background:

A business may enter into a lease of exempt real property (for example, property administered by the Bureau of Land Management (BLM), Forest Service, or Bureau of Indian Affairs) for drilling an oil and gas well. The business must also obtain a permit from the State of Nevada, Division of Minerals, before drilling an oil and gas well. The following map shows oil and gas leases in Nevada.



Source: BLM GeoCommunicator

<http://www.geocommunicator.gov/blmMap/Map.jsp?MAP=Energy>

The majority of oil and gas leases on public land are undeveloped properties. The lessee may conduct exploration activities on the lease and drill test wells to determine whether or not a production well would be economically feasible. The following map shows the producing oil and gas wells on public land in Nevada.



Source: BLM GeoCommunicator

<http://www.geocommunicator.gov/blmMap/Map.jsp?MAP=Energy>

According to *The Nevada Minerals Industry 2008* report published by the Nevada Bureau of Mines and Geology,

*“Production came from 66 actively producing wells in ten fields in Railroad Valley (Nye County, 90%), seven wells in two fields in Pine Valley (Eureka County, 10.0%), and one well in Elko County (~0.01%).”*¹⁶⁰

Assessment:

An oil and gas lease located on exempt real property is a taxable possessory interest and is valued in accordance with NRS 361.227(3)¹⁶¹. BLM issues two types of oil and gas leases in Nevada: competitive and noncompetitive. The successful bidder in either process executes a standard lease¹⁶² with the BLM for a primary term of 10 years at \$1.50 per acre for the first 5 years (\$2 per acre after that) until production begins. Once a lease is producing, BLM charges a royalty of 12.5% of production removed or sold from the leased property. The minimum bid in either process is a bonus bid of \$2 per acre plus the first year’s advance annual rental of \$1.50 per acre plus a non-refundable administrative fee of \$145. Non-competitive bids are based on the minimum bid. The competitive bid sale conducted December 15, 2009 resulted in a median bonus bid of \$2 per acre and a mean (average) bonus bid of \$2.17 per acre.

A business may also enter into leases of private land for drilling an oil and gas well. The business is required to obtain a permit to drill from the State of Nevada, Division of Minerals, before drilling the well. The county assessor would consider the value of the lease in valuing the private land.

Undeveloped or depleted oil and gas properties:

County assessors, in coordination with the Department, are responsible¹⁶³ for discovery and assessment of all oil and gas leasehold or possessory interests located in their respective counties. County assessors obtain information from BLM annually for oil and gas leases in effect as of the lien date each year. County assessors must also obtain information from other sources, such as the Division of Minerals, for other oil and gas leasehold interests that may exist on private land.

In addition to land value, County assessors are responsible for assessment of any improvements or personal property¹⁶⁴ located on the leased land. Improvements are valued at replacement cost new less statutory depreciation (per NRS 361.227 and related regulations and manuals). Personal property is valued per NRS 361.227(4) and related regulations and manuals.

¹⁶⁰ *The Nevada Mineral Industry 2008* is published by the Nevada Bureau of Mines and Geology and is available on their website at <http://www.nbmgs.unr.edu/> See page 151.

¹⁶¹ The exception outlined in NRS 361.157(2)(b) regarding Payments in Lieu of Taxes (PILT) does not apply to the possessory interests. See *Hale and Norcross Gold & Silver Mining Company v. Storey County* (1865)

¹⁶² Form 3100-011 available for download at the BLM website <https://www.blm.gov/FormsCentral/show-form.do?nodeId=687#>

¹⁶³ NRS 360.280

¹⁶⁴ Note that only producing oil and gas wells are appraised by the Department on behalf of the local assessor. All other appraisals of oil and gas properties (undeveloped or depleted) are appraised and assessed at the local level.

NRS 361.230 required a minimum assessed value on patented land or land held under any state land contract of \$1.25 per acre. This statute was recently repealed. Undeveloped or depleted oil and gas leases are generally not sold in open market transactions. Therefore, the sales comparison approach is generally not applicable. However, the income approach (Capitalization of Ground Rents Method) could be used to capitalize the income stream of the annual lease rentals. The County Assessor is responsible for determining if values above the statutory minimum are applicable in a given market.

Producing oil and gas wells

Once the oil and gas well is productive, the production is subject to the Net Proceeds of Minerals Tax. The Department of Taxation¹⁶⁵ administers the Net Proceeds of Minerals Tax program. Per NRS 362.100(1)(b) improvements and personal; property are appraised by the Department of Taxation on behalf of the county assessor. The county assessor is responsible for land value.

The possessory interest in the oil and gas lease (land) is locally assessed for producing wells. NRS 361.230 required a minimum assessed value on patented land or land held under any state land contract of \$1.25 per acre. This statute was recently repealed. Producing oil and gas leases are generally not sold in open market transactions. Therefore, the sales comparison approach is generally not applicable. However, the income approach (Capitalization of Ground Rents Method) could be used to capitalize the income stream of the annual lease rentals. The County Assessor is responsible for determining if values above the statutory minimum are applicable in a given market.

Unsecured Roll

The assessments of possessory interests in oil and gas leases are usually billed on the unsecured roll. The tax due does not constitute a lien on the property.

¹⁶⁵ NRS 362.100(1)(a)

Open Space

NRS Chapter 361A requires the governing bodies of every city or county in the state to institute guidelines in their master plans to promote the conservation, maintenance and protection of open-space property. Property designated as open space is entitled to an open-space assessment and tax deferment. The boards of county commissioners must adopt as part of their county ordinance procedures and criteria to consider applications for open-space use assessments. The law permits the county to determine what criteria to use to evaluate an application for open-space use assessment, such as location, public access and minimum size.

NRS 361.220(2) requires county assessors to maintain records of open space use assessments and tax deferment. The Nevada Tax Commission adopted a formula that grants open-space use assessment a discount of 9% for a term of 3.5 years, which equals a discount factor of .74.

The Department developed an application form for open-space assessment and distributed the form to all assessors. The Department annually produces a bulletin for Agricultural Land Values and Open Space Property Procedures.

Golf courses are automatically considered open space.

Parcel mapping and assessor property database

Per NRS 361.189, all land in the State must be legally described by parcel number in accordance with systems approved by the Department of Taxation.

Each County Assessor is responsible for maintaining a complete set of cadastral maps (Assessor Parcel Maps) for all land in their respective counties and a database of the associated ownership, legal descriptions and property attributes. Appropriate cadastral mapping systems and property databases are necessary in order to appraise property. Each County Assessor is responsible for timely database and map updates for parcel splits, combinations, subdivisions, reversions to acreage, boundary line adjustments and related items. Parcel maps, subdivision maps, and other maps (and in some cases associated deeds) are recorded in the County Recorder's Office. The County Assessor is responsible for obtaining the information on these recorded documents and using the information to update the Assessor Parcel Maps and related property databases.

Each County Assessor is responsible for making the maps and associated information available to the public. All maps must be maintained by each County Assessor as a permanent public record.

Land may be described using the public land survey system (Township-Range-Section)¹⁶⁶, city lots (lot-block)¹⁶⁷, map or plat references¹⁶⁸, unofficial maps filed with the county assessor or county commissioners¹⁶⁹ or metes and bounds.¹⁷⁰

A sample Assessor Parcel Map is on the following page.

¹⁶⁶ NRS 361.195

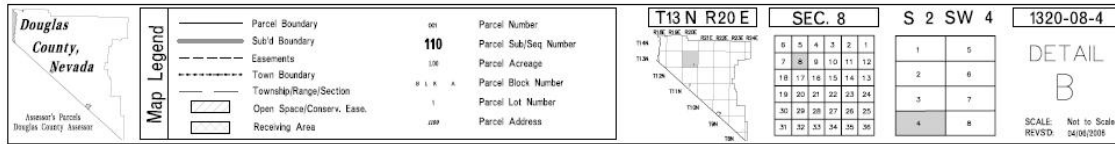
¹⁶⁷ NRS 361.200

¹⁶⁸ NRS 361.205

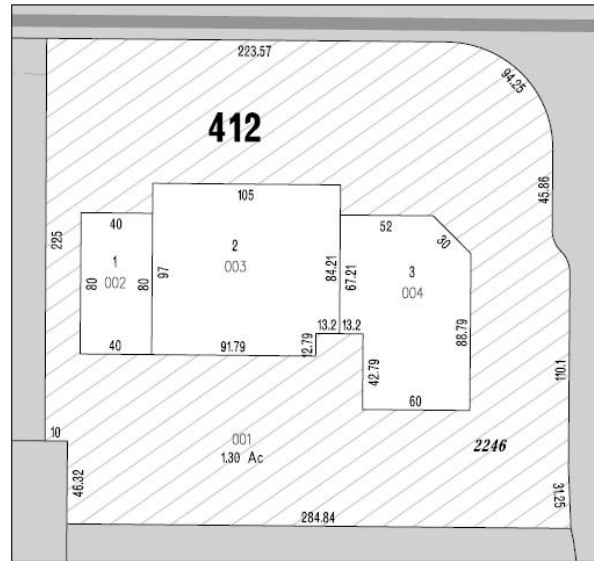
¹⁶⁹ NRS 361.210, NRS 361.215

¹⁷⁰ NRS 261.220

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NOTE: This map is prepared for the use of Douglas County Assessor for assessment and illustrative purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or accuracy of the data contained herein.



Sample Assessor Parcel Map from Douglas County parceling system

Patented Mining Claims

When the Federal Government transfers ownership of land, a patent is issued to the new owner. A patent is essentially a “deed” from the Federal Government to the new owner. Patents are issued for many different types of transfers. One such transfer is the issuance of a patent for land and possibly other rights associated with the land (such as mineral rights, water rights, and surface rights) that was previously located as a mining claim. A mining claim that has not been “patented” is referred to as an unpatented mining claim. See Unpatented Mining Claims below for a description of the location process for mining claims. The specific rights transferred are described in the patent (deed) just as “deeds” describe property rights transferred between parties other than the Federal Government. Generally, Patented Mining Claims represent transfer of surface rights as well as mineral rights. The surface can then be used for any purpose, subject to general laws and regulations for land use.

An owner that received a patent from the Federal Government for a mining claim or several mining claims may (1) deed the claim(s) to another party, (2) subdivide and sell portions of the mining claim or (3) use the land for any purpose. Because the surface of Patented Mining Claims can be used for any purpose, the surface of the land is generally valued based on land use.

Special rules apply to the assessment of Patented Mining Claims as described in the Nevada Constitution, Nevada Revised Statutes, and Nevada Administrative Code.

The County Assessor’s valuation involves determining the use of the surface of the patented mining claims and whether or not an “Affidavit of Labor on Patented Mining Claims for the Exemption of Taxes” is recorded annually for each patented mining claim to request exemption. In each situation, the Affidavit refers to the Affidavit described in NRS 362.040 to 362.090. Affidavits required by the Nevada Division of Minerals (NRS 517) and the Bureau of Land Management cannot be substituted because neither the Division of Minerals nor BLM require documentation of assessment work on patented claims (only unpatented claims). The County Assessor’s decision process also requires adequate information about the location and acreage for each patented mining claim, including reconciliation of ownership of overlapping claims.

In some circumstances, a patented mining claim loses its “character” as a patented mining claim for purposes of exemption and taxation. For example, if a town plat is filed on land that was held as patented mining claims, the land covered by the town plat is no longer considered a “mining claim” for purposes of taxation or exemption. The lots in the town plat are valued per statutes like any other land. If a portion of the mining claim remains and is not part of the town plat, then the remainder of the mining claim has retained its character as a mining claim for purposes of exemption and taxation. As another example, if the entire surface of a mining claim is used for a shopping mall, the mining claim has lost its character as a mining claim for purposes of exemption or taxation.

The following situations represent possible scenarios that a County Assessor may encounter when making decisions about the assessment of the surface of patented mining claims.

If the claim is:

1. Used 100% for Mining and an Affidavit **IS** filed
The County Assessor shall exclude the assessment from the assessment roll (Nevada Constitution Article 10, Section 5 and NRS 362.040)
2. Used 100% for Mining and an Affidavit **IS NOT** filed
The County Assessor must assess the surface per NAC 361.410 (greater of 35% of similar property or \$500 assessed value per claim). The exclusion does not apply.
3. Used X% for Mining and an Affidavit **IS** filed, Used Y% for agriculture
The County Assessor must exclude the value of the portion of the surface used for mining from taxation (Nevada Constitution Article 10, Section 5 and NRS 362.040). The County Assessor shall value the portion used for agriculture as either unqualified agricultural land or qualified agricultural land per NRS 361A.
4. Used X% for Mining and an Affidavit **IS NOT** filed, Used Y% for agriculture
For the agricultural portion: If the agricultural operation otherwise qualifies for agricultural assessment under NRS 361A, the County Assessor should use NRS 361A to determine the “taxable value of a site of comparable size and similar terrain and location”. If the agricultural operation does not qualify for agricultural assessment under NRS 361A, the County Assessor should determine the taxable value without the favorable treatment of 361A.
For the mining portion: The County Assessor must assess the surface per NAC 361.410 (greater of 35% of similar property or \$500 assessed value per claim). The exemption does not apply.
5. Used X% for Mining and an Affidavit **IS** filed, Used Y% for purposes other than mining or agriculture
The portion of the mining claim used for purposes other than mining or agriculture is no longer considered a mine or mining claim (NRS 362.095) and should be taxed as other real property (see NRS 361.227). For the portion of the mining claim used for mining, the County Assessor must record the surface value as exempt from taxation (Nevada Constitution Article 10, Section 5 and NRS 362.040). The County Assessor exclude the assessment from the assessment roll.
6. Used X% for Mining and an Affidavit **IS NOT** filed, Used Y% for purposes other than mining or agriculture
The portion of the mining claim used for purposes other than mining or agriculture is no longer considered a mine or mining claim (NRS 362.095) and should be taxed as other real property (see NRS 361.227). For the portion of the mining claim used for mining, the County Assessor should assess the surface value per NAC 362.410 (greater of 35% of similar property or \$500 assessed value per claim). The exclusion does not apply.
7. Used 100% for agriculture (Affidavit is not applicable therefore IS NOT filed)
The County Assessor must assess the claim per NAC 362.410. If the agricultural operation otherwise qualifies for agricultural assessment under NRS 361A, the County Assessor should use NRS 361A to determine the “taxable value of a site of comparable size and

similar terrain and location”. If the agricultural operation does not qualify for agricultural assessment under NRS 361A, the County Assessor should determine the “taxable value of a site of comparable size and similar terrain and location” without the favorable treatment of 361A. The exclusion does not apply.

8. Used X% for Agriculture and Y% for purposes other than mining or agriculture (Affidavit is not applicable therefore IS NOT filed)

The portion of the mining claim used for purposes other than mining or agriculture is no longer considered a mine or mining claim (NRS 362.095) and should be taxed as other real property (see NRS 361.227). The County Assessor must assess the portion of the claim used for agriculture per NAC 362.410. If the agricultural operation otherwise qualifies for agricultural assessment under NRS 361A, the County Assessor should use NRS 361A to determine the “taxable value of a site of comparable size and similar terrain and location”. If the agricultural operation does not qualify for agricultural assessment under NRS 361A, the County Assessor should determine the “taxable value of a site of comparable size and similar terrain and location” without the favorable treatment of 361A. The exemption does not apply.

9. Used 100% for purposes other than mining or agriculture (Affidavit is not applicable therefore IS NOT filed)

The mining claim used for purposes other than mining or agriculture is no longer considered a mine or mining claim (NRS 362.095) and should be taxed as other real property (see NRS 361.227).

In general, the \$500 assessed value per mining claim would not apply because, generally, the taxable value multiplied by 35% is greater than \$500. A mining claim without overlapping ownership issues is approximately 20 acres. An assessed value of \$500 for 20 acres is equivalent to a taxable value of approximately \$1,430 for 20 acres or approximately \$71 per acre. The Bureau of Land Management publishes estimated land values for unimproved land in each county of the United States that BLM uses to determine fair market value for land right-of-way grants. The lowest amount per acre under this system is \$250 per acre for Zone 1. Given this “bare minimum” amount of value per acre of land, the \$500 per claim would never be applicable. If the amount of acreage covered for a particular patented mining claim is very small, the \$500 per claim may come into play. The “breakeven” acreage is approximately 5.5 acres ($\$500 \text{ per claim} / 35\% = \text{Taxable Value of } \$1,430 / 5.5 \text{ acres} = \260 per acre).

Possessory Interests

A possessory interest is the right to occupy and use property by virtue of the rights granted under a lease agreement or other type of contract. Most commonly the term possessory interest refers to a lessee or user's interest in government-owned or exempt property. It is a private right to the possession of such property for a specific term.

Article 10, Section 1 of the Nevada State Constitution states "The Legislature shall provide by law for a uniform and equal rate of assessment and taxation and shall prescribe such regulations as shall secure a final valuation for taxation of all property, real, personal and possessory..." NRS 361.035 (4) states "real estate or real property does not include leasehold or other possessory interests in land owned by the Federal Government on which land the Federal Government is paying taxes to the State of Nevada or is, pursuant to contractual obligation, paying any sum in lieu of taxes¹⁷¹ to the State of Nevada."

NRS 361.157, 361.159 and 361.227 pertain to the assessment of possessory interests for tax purposes. To arrive at taxable values of possessory interests in the years prior to fiscal year 1993-94, assessors either depreciated the cost of the improvements or capitalized the fair economic income expectancy.

The 1993 Legislature passed Assembly Bill No. 735 which amended the possessory interest statutes and the method to value possessory interests. Beginning with the 1993-94 assessment year, assessors value and assess otherwise exempt real and personal property used by a business or as a residence, and real property on which oil and gas leases exist in the same manner as all other real property in accordance with NRS 361.227. Assessors generally use the term possessory interest synonymously with the terms leasehold interest, beneficial interest and beneficial use.

There is a five step process to determine whether a possessory interest is taxable as follows:

Step 1. The property is exempt from taxation (for example property owned by a government entity) and is leased, loaned or otherwise made available to another.

Step 2. For a Possessory Interest to be taxable¹⁷² it must be:

- **Exclusive:** Its holder must be able to exclude others from interfering with the use of the property, (or, where there is concurrent use, the concurrent use does not significantly interfere with the holder's use).
- **Independent:** The use must be independent of the public owner. That is, its holder may exercise authority and control of the property apart from the rules and regulations of the public owner.
- **Durable:** There must be reasonably certain evidence to show that the possession will continue for a determinable period of time.

¹⁷¹ Note that the federal PILT (Payment in Lieu of Taxes) program does not represent an amount in lieu of taxes according to this statute because of the 'under contractual arrangement' language and because the amount of PILT revenue in relation to the amount that would be received if the property were taxed as other property is miniscule.

¹⁷² NRS 361.2275

Step 3. For a Possessory Interest to be taxable, it must be used¹⁷³ in connection with a business conducted for profit or as a residence, or both.

Step 4. There may be a specific exception from taxation per NRS 361.159(3) or 361.157(2))

The exceptions to taxation of certain possessory interests are listed in NRS 361.157(2) for real estate and NRS 361.159(3) for personal property. Each of the exceptions to taxation is described below:

Reference	Parsed Sentence	Discussion
361.157(2)(a)	<p>Property located upon a public airport, park, market, or fairground OR Any property owned by a public airport UNLESS</p> <ul style="list-style-type: none"> (1) the property owned by the public airport is not located upon the public airport; AND (2) the property is leased, loaned, or otherwise made available for purposes other than for the purposes of a public airport, including, without limitation, residential, commercial, or industrial purposes. 	<p>Public airport means the portions of the airport that can be accessed by the public without any specific permission. Therefore:</p> <ul style="list-style-type: none"> (1) A private hangar located on property near a public airport is not part of the “public airport” because the hangar owner has exclusive use of the property and can lock out the public at any time. The exception does not apply to the land or buildings (if also leased). (2) An industrial building or office building near an airport is not part of the “public airport” because the public cannot use the facilities at any time. The exception does not apply. (3) An FBO lease of facilities for sale of products provision of services is not part of the “public airport” because the FBO controls access to these areas. The exception does not apply. <p>The runways, public areas of terminal buildings, public restroom and similar public areas are exceptions to taxation. A golf course is not a park. A race track is not a park.</p>
361.159(3)(b)	[Personal Property] owned by a public airport and used for the purposes of the public airport.	

¹⁷³ Real Property (NRS 361.157(1)) or Personal Property (NRS 361.159(1))

Reference	Parsed Sentence	Discussion
361.157(2)(b)	Federal property for which payments are made in lieu of taxes in amounts equivalent to taxes which might otherwise be lawfully assessed.	<p>The Federal Payment in Lieu of Taxes (PILT) program does not meet the definition. PILT payments are not ad valorem taxes and are not equivalent to taxes with might otherwise be lawfully assessed.</p> <p>Assume that the United States Air Force agrees to pay taxes to a county in an amount equivalent to taxes that its military contractors would normally pay. The contractors would receive an exception from paying for their possessory interest because the Air Force paid. The Air Force payment is “in lieu” of the payment that would normally be made by the contractor.</p>
361.157(2)(c)	Property of any state-supported educational institution, except any part of such property located within a tax increment area created pursuant to NRS 378C.155	State supported educational institutions include the University of Nevada-Reno, University of Nevada-Las Vegas, Western Nevada Community College, high schools and elementary schools. Private schools that are not state-supported are not included.
361.157(2)(d)	<p>Property leased or otherwise made available to and used</p> <p>(1) by a natural person, private association, private corporation, municipal corporation, quasi-municipal corporation or a political subdivision under the provisions of the Taylor Grazing Act</p> <p>OR</p> <p>(2) by the United States Forest Service or the Bureau of Reclamation of the United States Department of the Interior</p>	<p>Grazing allotments issued by BLM are issued under the Taylor Grazing Act. Therefore, farmers or ranchers are not assessed for the possessory interest because the possessory interest is an exception.</p> <p>Taxable possessory interests on land managed by BOR or Forest Service can exist. This only excepts possessory interests when BOR or the forest service are the lessees or users of exempt land.</p>
361.157(2)(e)	Property of any Indian or of any Indian tribe, band or community which is held in trust by the United States or subject to a restriction against alienation by the United States.	Generally native allotments are exceptions. When property is leased to for profit entities, the possessory interest is taxable. Examples, Douglas County. Washoe County Wal-Mart on Indian Land.

Reference	Parsed Sentence	Discussion
361.157(2)(f)	Vending stand locations and facilities operated by persons who are blind under the auspices of the Bureau of Services to Persons Who Are Blind or Visually Impaired of the Rehabilitation Division of the Department of Employment, Training and Rehabilitation, whether or no the property is owned by the federal, state or a local government.	An example would be cafeterias in county office buildings.
361.159(3)(a)	[Personal Property] used in vending stands operated by persons who are blind under the auspices of the Bureau of Services to Persons Who are Blind or Visually Impaired of the Rehabilitation Division of the Department of Training and Rehabilitation	
361.157(2)(g)	Leases held by a natural person, corporation, association, municipal corporation, quasi-municipal corporation or political subdivision for development of geothermal resources, but only for resources which have not been put into commercial production.	The BLM operates a program for leases of land for geothermal exploration and production. The possessory interest is and exception until production begins. Generally, this coincides with the time the Department begins assessments on behalf of the local assessor.
361.157(2)(h)	The use of exempt property that is leased, loaned or made available to a public officer or employee, incident to or in the course of public employment.	If a military facility offers housing to people but it is not incident to course of employment, a possessory interest exists. The classic case in Nellis Air Force Base. If an employee is stationed at the North Pole and must stay in the barracks provided or freeze to death, an exception exists.
361.157(2)(i)	A parsonage owned by a charitable or religious society or corporation when used exclusively as a parsonage.	The classic example is the living quarters next to the church for the parson.
361.157(2)(j)	Property owned by a charitable or religious organization all, or a portion, of which is made available to and is used as a residence by a natural person in connection with carrying out the activities of the organization.	
361.157(2)(k)	Property owned by a governmental entity and used to provide shelter at a reduced rate to elderly persons or persons having low incomes.	

Reference	Parsed Sentence	Discussion
361.157(2)(l)	The occasional rental of meeting rooms or similar facilities for periods of less than 30 consecutive days.	
361.157(2)(m)	The use of exempt property to provide day care for children if the day care is provided by a nonprofit organization.	If the Lyons Club uses a room in the county office building and operates a day care facility, an exception exists.
361.159(3)(a)	[Personal Property] used in vending stands operated by persons who are blind under the auspices of the Bureau of Services to Persons Who are Blind or Visually	

Step 5. There may be a specific exemption from taxation under various statutes. For example, NRS 361.045 through 361.150 includes various exemptions. Exemptions exist in other statutes.

Assessors calculate the taxable value of each possessory interest property as if it were owned, reduced by considering the following percentages:

- a. how much of the property is actually leased or used during the fiscal year
- b. how long the exempt property is actually leased or used during the fiscal year.

NRS 361.157 and 361.159 also state "taxes must be assessed to lessees or users of exempt real estate and personal property and collected in the same manner as taxes assessed to lessees or users of other real estate and personal property, except that taxes due under these sections do not become a lien against the property." When taxes based on possessory interest valuations are due, they represent a debt due to the county and, if unpaid, are recoverable in court.

To assess property related to possessory interests, assessors follow the specific procedures listed:

- Make physical inspections of all sites to gather the physical data needed to value the real and personal property related to possessory interests. If not permitted to visit the property, make a reasonable estimate of the property's taxable value.
- Value improvements using replacement cost new less depreciation of 1.5 percent per year of adjusted actual age to a maximum of 50 years.
- Value land consistent with its current use, but only that amount of land actually used to support the particular interest.
- Value personal property using the personal property manual to compute replacement cost new less applicable depreciation.
- Determine the percentage of time and the portion of the property actually used or leased during the year. Reduce the taxable value to conform to these percentages.
- Value oil and gas leases in the same manner as they would all other real property using comparable land values or the income approach. NRS 361.230 previously put a minimum assessed value on patented land at \$1.25 per acre. NRS 361.230 was recently repealed.

Assessors must keep in mind that NRS 361.227 states a taxpayer cannot dispute a possessory interest's taxable value by saying a possessory interest value and an ownership value are not comparable.

Possessory interests frequently go unrecognized. Assessors must find all the possessory interests within their county and establish and maintain accurate, up-to-date records. To begin an effective discovery program and office management system, assessors should carry out certain procedures:

- Request from each of the county's public agencies (federal, state and local) a list of each of its properties where a possessory interest exists.
- Contact the persons or organizations using each exempt property and schedule an appraisal visit.
- Gather all the specific data, such as written lease agreements, permits, licenses, concessions.
- Identify the property by description, parcel number and ownership to conveniently locate, update and assess the property timely.
- Obtain from the Bureau of Land Management (BLM) the annual oil and gas lease printout for those leases located on public land in the county. Bureau of Land Management, 1340 Financial Blvd., Reno, NV 89502. The phone number is: 775-861-6400.
- Identify private property owners who have oil and gas leases on their property.

Posting to individual parcels from mass appraisal analysis

The final step in any mass appraisal system is establishing the value of each individual parcel within a market area based on the mass appraisal analysis. It may be necessary to apply site adjustments to individual parcels based on appropriate methods such as paired sales analysis. This process is often referred to as “posting” the values because the final values are entered or uploaded into a computerized billing system or electronically transferred from a computerized appraisal system to a computerized billing system.

For example, assume that the county assessor defined a market area and, through appropriate analysis, established a base lot value of \$26,500. The market analysis revealed that the major factors causing variation among land values in the area are view (restricted, standard, or premium), traffic (heavy, moderate, or light) and size (quarter acre or half acre). Appropriate percentage adjustments for these factors were developed through paired sales analysis. The base lot has a standard view, moderate traffic and is $\frac{1}{4}$ acre.

After establishing the base lot value, the appraiser can value individual parcels by applying any necessary site adjustments. The analysis reveals the following percentage adjustments with the base lot shown in italics.

View	Traffic	Size
Restricted -15%	Heavy -10%	
<i>Standard 0%</i>	<i>Moderate 0%</i>	<i>$\frac{1}{4}$ acre 0%</i>
Premium +25%	Light +5%	$\frac{1}{2}$ acre +30%

Assume parcel #1 is $\frac{1}{4}$ acre, standard view, with heavy traffic. The value posted to parcel #1 is \$23,850 (\$26,500 less 10% for Heavy Traffic). Assume parcel number 2 is $\frac{1}{2}$ acre, premium view, and light traffic. The value posted to parcel #2 is \$42,400 (\$26,500 plus 25% for premium view, plus 5% for light traffic, plus 30% for size). Each parcel in the market area would be similarly adjusted and “posted” to the billing system.

Alternatively, the assessor may have chosen to separate the heavy traffic parcels into a separate market area. The assessor set the base lot value at \$23,850 for this area. All of the parcels in the market area have the same attributes: $\frac{1}{4}$ acre, Heavy Traffic, Standard View. All of the parcels in this defined market area would be value at \$23,850. The other markets would have a separate analysis.

A similar process would be used if the comparative unit method was used. Assume the county assessor is appraising a largely undeveloped area and determines that a value per acre is the appropriate unit of comparison. The assessor arrays the sales data to establish strata. The market data reveals that the major factors causing variation among land values in the area are water rights (with or without water rights) and size (0 to 1.99 acres, 2 to 4.99 acres, 5 to 10 acres). The assessor creates the following table based on appropriate market analysis.

Size	With Water Rights	Without Water Rights
0 to 1.99 acres	\$20,000 per acre	\$10,000 per acre
2 to 4.99 acres	\$18,000 per acre	\$8,000 per acre
5 to 10 acres	\$15,000 per acre	\$5,000 per acre

Assume that parcel #A is 1.52 acres with water rights. The value of parcel #A would be \$30,400 (1.52 acres times \$20,000 per acre). Assume that parcel #B is 8 acres without water rights. The value of parcel #B would be \$40,000 (8 acres times \$5,000 per acre). Each parcel in the market area would be valued similarly.

Similar postings would occur for special parcels that are valued using single-parcel appraisal or fee appraisal because of the special nature of the parcel. The value for qualified open space parcels would be “posted” based on the calculations in NRS 361A. The value for qualified agricultural parcels would be “posted” based on the calculations in NRS 361A. The county assessor maintains records to support the mass appraisal process, valuations, adjustments, and statutory alternative valuations such as qualified agricultural or open space assessment.

Public Domain and Indian Lands

Public domain and Indian lands are generally exempt from taxation. However, the County Assessor is responsible for placing a value on these lands and then recording an offsetting exemption. Per NRS 361.230 the minimum value that can be placed on these types of land was \$1.25 per acre assessed value (equivalent to approximately \$3.57 per acre taxable value). NRS 361.230 was recently repealed. The value of these types of land can vary depending upon influences such as topography, proximity to services and land use restrictions. One source of information that county assessors may use to value these types of land is the BLM Right-of-Way and land lease programs. In 1976, the Federal Land Policy Management (FLPMA) required the BLM to ascertain fair market value for lease of public lands. As a result, the BLM developed a system that estimates fair market value of land in every county in the United States based on information published by NASS (National Agricultural Statistics Service). This could be used to set the minimum value in each county when additional information is not available.

Counties in Nevada have been assigned the following zones¹⁷⁴ and per acre fair market values for the BLM Right-of-Way program:

County	Zone	Land FMV per acre
Carson City	6	\$3,000
Churchill	5	\$2,000
Clark	6	\$3,000
Douglas	5	\$2,000
Elko	1	\$250
Esmeralda	4	\$1,500
Eureka	1	\$250
Humboldt	2	\$500
Lander	2	\$500
Lincoln	4	\$1,500
Lyon	4	\$1,500
Mineral	3	\$1,000
Nye	4	\$1,500
Pershing	3	\$1,000
Storey	9	\$20,000
Washoe	3	\$1,000
White Pine	3	\$1,000

Reference material on this subject includes:

- Federal Register Volume 73, No. 212, October 31, 2008, Rules and Regulations
- Adjusted 2002 and 2007 NASS Census Per Acre Land and Building (L/B) Values and Rent Schedule Zones for use with 2009 through 2015 Linear Rent Schedule¹⁷⁵
- BLM Right-of-Way Pre-Application Checklist

¹⁷⁴ See BLM publication "Adjusted 2002 and 2007 NASS Census Per Acre Land and Building (L/B) Values and Rent Schedule Zones for use with 2009 through 2015 Linear Rent Schedule" W0350, 6-1-2009, page 42.

¹⁷⁵ This publication is available at

www.blm.gov/pgdata/etc/medialib/blm/wo/MINERALS_REALTY_AND_RESOURCE_PROTECTION/_cost_recovery.P ar.81319.File.dat/2002to2007-per-acre-L-and-B-with-Cover.pdf

- BLM “Final Regulations Linear Right-of Way Rental Fee Schedule, October 31, 2008, Executive Summary and Questions/Answers
- BLM Form SF-299
- BLM Pamphlet¹⁷⁶ “Obtaining a Right-of-Way on Public Lands”

¹⁷⁶ This publication is available at

www.blm.gov/pgdata/etc/medialib/blm/wo/MINERALS_REALTY_AND_RESOURCE_PROTECTION_/cost_recovery.Par.62768.File.data/ObtainingaROWPamphlet.ss03-10-09.pdf

Recording Ownership Changes

County Assessors are responsible for assessing the owner of a parcel of land as of the lien date. Therefore, County Assessors must have processes in place to continually update ownership information from deeds filed with the County Recorder. Per NRS 361.189(7) County Assessors must not reflect a change of ownership on the tax roll unless the legal description is correct. County Assessors must have processes in place to check legal descriptions on deeds before processing ownership changes and associated follow up.

The Glossary included in this report as Appendix C contains definitions of various types of deeds and ownership transfers of land in Nevada.

Recording parcel and attribute changes

The county assessor is responsible for maintaining¹⁷⁷ parcel maps and databases for land in their county. In order to apply mass appraisal, county assessors must also maintain information about the influences on land valuation. Influences may be view, topography, access to utilities, water rights, traffic, size, or legal restrictions. The influences on land value in any particular market area are revealed through market analysis.

Generally, assessors update maps and databases for recorded documents. Parcel attributes may be documented through physical examination of the property, review of aerial maps, review of photographs or notes from conversations with property owners. Generally, assessors update databases or link databases to determine the zoning of each parcel.

¹⁷⁷ NRS 163.189 through 361.220

Regression Analysis

Regression analysis, including multiple regression analysis, is a statistical technique used in many different disciplines. Regression analysis is used to analyze data in order to predict the value of one variable (the dependent variable) from the known values of other variables (the independent variables). If only one independent variable is used, the procedure is called simple regression analysis. If two or more independent variables are used, the procedure is called multiple regression analysis. For example, multiple regression analysis may be used by a business to establish compensation for employees. Multiple regression analysis is used in medicine to determine dosage of medicine or alternatives for treatments.

In land valuation, regression analysis is used to estimate the unknown dependent variable (land value) based on known and available data (independent variables). In land valuation the known and available data are sales prices and property characteristics. For mass appraisal, sales are analyzed statistically “in mass” rather than individually as in the single property or “fee” appraisal implementation of the sales comparison approach.

Land characteristic data may include variables such as lot size, view, lot shape, utilities, location, zoning, and access. The objective of multiple regression analysis, as applied to mass appraisal, is to model the relationship between property characteristics and value, so that value can be estimated from the property characteristics. For example, the relationship between view and value can be investigated from data on view and sales price.

Renewable Energy Operations

Renewable energy resources include solar, wind, biomass, hydroelectric, and waste heat. These resources are most commonly used to produce electricity for sale into the electrical grid. Development of these resources recently increased due, in part, to significant tax abatements. Note that geothermal is classified as an extractive process like mining and oil and gas and therefore is not categorized as “renewable energy” for purposes of this discussion.

Unless a renewable project crosses county or state lines, the entire operation (land, improvements, and personal property) is locally assessed¹⁷⁸ by the county assessor. To determine land value for property used for renewable energy operations, the County Assessor must first determine whether the land is owned by the operator or leased from either a taxable or exempt entity. A lease from an exempt entity constitutes a possessory interest.

The majority of renewable energy operations are conducted on public domain land with the Bureau of Land Management granting rights to use the land. BLM grants use of public domain land for wind, solar, and other renewable energy projects through the BLM Right-of-Way program. The Right-of-Way program constitutes a possessory interest. The base rent and an additional capacity charge are considered in valuing the possessory interest.

Land value for property included in a BLM Right-of-Way program for renewable energy would usually be determined by capitalizing the rental payments made to BLM at an appropriate capitalization rate. The BLM Linear Rent Schedule is used to calculate the rent. The rent depends on the “zone” where the operation is located. The Linear Rate Schedule is adjusted annually based on inflation (the Implicit Price Deflator Index).

The BLM may also grant temporary Rights-of-Way for renewable energy operations that have not yet been put into production. These arrangements also represent possessory interests in the public land and should be assessed by the county assessor.

¹⁷⁸ Attorney General opinion

Sales Comparison Approach

The sales comparison approach is one of the three approaches to value. In the sales comparison approach, an estimate of the property's value (or some other characteristic such as market depreciation) is determined by reference to comparable sales.

The sales comparison approach is used both in single-property ("fee") appraisal and in mass appraisal. In single-property appraisal, the result of the analysis is applied to a single property. In mass appraisal, the result of the analysis is applied to several parcels.

The sales comparison approach models the behavior of the market by comparing the property or properties being appraised (subjects) with similar properties that have recently sold (comparables) or for which offers to purchase have been made. Comparables are selected for similarity to the subject(s) and the comparable sales prices are then adjusted for differences from the subject (or base lot or comparative unit in mass appraisal). Finally, a market value for the subject(s) is estimated from analysis of the comparable properties.

The sales comparison approach requires the following steps: definition of the appraisal problem, data collection, analysis of market data to develop units of comparison and select attributes for adjustment (model specification), development of reasonable adjustments (model calibration), application of the model for adjustments, and application of the analysis to estimate the value of the subject property or properties.

Mass appraisal using the sales comparison approach is probably the most common approach used by assessors to estimate property values. NRS 361.227 and NAC 361.118 through 361.131 provide the authority for mass appraisal using the sales comparison approach.

NRS 361.227 requires assessors to determine the taxable value of real property by appraising vacant land while considering:

- The uses to which the vacant land may lawfully be put
- Any legal or physical restrictions upon those uses
- The character of the terrain
- The uses of other land in the vicinity

The statute further states that to determine the taxable value of improved land assessors must appraise its full cash value consistently with the use to which the improvements are being put. NAC 361.113 defines improved land as "land on which there is an improvement of substantial value."

NAC 361.122 distinguishes "use to which the improvements are being put" as use of land in the surrounding area with the same general usage and same features; i.e. zoning, size, shape and topography. If there is no land with usage or features similar to that of the subject in the surrounding area, then assessors should use as comparables for the subject land the nearest land with those features.

MIXED USAGE

NAC 361.122 defines the area to be valued according to use as the "area actually covered by the improvement plus the surrounding area necessary to the use of the improvement. Additional land

must be valued as vacant." Such parcels having additional vacant land or more than one use could be considered "mixed usage" parcels and valued accordingly.

To determine the "area necessary to the use" of the improvement consider such variables as:

- Location of the improvement on the site
- Access
- Easements
- Landscaping
- Topography
- Deed restrictions, CC&R's, etc.

Assessors should weigh these factors when allocating land in "mixed usage" parcels between that "needed to support the improvement" and the "additional" land. Once these areas have been identified, carefully select different sets of sales corresponding as closely as possible in usage, location, zoning, size, topography, and amenities to value the different usage areas.

The best example of this is the residential improvement on a commercially zoned lot. In this case, first determine the land area required to support the residence and use residential comparables from the same neighborhood, if possible, to value the residential land. Value the additional, remaining land using the most comparable commercial land sales in the area.

Assessors may reopen the secured roll for changes that occur in land parceling. When a parcel splits into two or more parcels, they should reopen the secured roll and value the new parcels. As with land valuation during reappraisal, the "current value" to assign any new parcels should be as of January 1st of the year preceding the assessment year.

For example, when a parcel splits into two new parcels after the 2000-01 secured roll has closed, reopen the roll and value the two new parcels as of January 1, 1999. To arrive at the land value, consider available sales data and adjust to January 1st any sales occurring before or after that date.

NAC 361.118 requires the appraisal of vacant land at full cash value as defined in NRS 361.025. It defines full cash value as "the most probable price which property would bring in a competitive and open market under all conditions requisite to a fair sale." A fair sale is one between informed, well-advised, motivated principals acting in their own best interests and terminated with payment in cash or its equivalent after a reasonable time of exposure to an open, competitive market with nominal terms available to the general public.

Unless sales data is scarce and inadequate, the Market Data Method (Sales Comparison Approach) is the preferred method to establish taxable value. Collect, verify, adjust and compare sales of comparable sites with subject sites. Occasionally use listings or offers when actual sales are not available, but use these listings or offers with caution.

NAC 361.118 outlines three alternative valuation methods for assessors to use when insufficient sales are available to support the market or the sales comparison approach to value.

ALLOCATION OR ABSTRACTION METHOD: Subtract the improvement values from total value. This method is particularly adaptable to sales that include new or minor improvements. It is an alternate method favored by assessors.

DEVELOPMENT OR ANTICIPATED USE METHOD: Use this method to value lands in transition such as subdivision development from raw land. Determine land value by deducting development costs, overhead, marketing costs and profit from the fully-developed cost.

LAND RESIDUAL TECHNIQUE: Use this technique by dividing the property's rental or lease income between land and improvements, and capitalizing that portion attributable to land into land value. This technique is used primarily to determine whether taxable value exceeds full cash (market) value.

Sales Data Collection

Sales data collection is the process of identifying land transfers and obtaining basic information about the transfer. The data is collected and recorded into a sales database. This database may be manual or computerized. Generally, some sales verification procedures are usually performed during the sales data collection process. The recorded source documents usually consist of a deed and a Declaration of Value per NRS Chapter 375, Real Property Transfer Tax.

Sales data collection generally begins with review of recorded documents related to property. These documents are reviewed for items such as legal description, parcel numbers, owners of record, and type of property transferred. Discrepancies in the basic information on the recorded documents generally results in an exception process and the sales are not recorded in the sales data base and ownership is not changed in the Assessor records. Verification processes are not undertaken until the underlying discrepancies are resolved.

Once a deed “passes” the tests in the prior paragraph, the deed is usually entered into a database and is subjected to further verification procedures. Attributes of the property at the time of sale are usually captured as a “snapshot” to assist in verification of the sale, adjustment of the sale, and use of the adjusted sales data in analysis. See Sales Verification and Adjustment.

Sales Verification and Adjustment

The success of any land appraisal system depends largely on sales and other market data. Effective maintenance of a sales database to record information about sales is critical in mass appraisal using the sales comparison approach and can be useful in other approaches to valuation.

Verification of sales data involves obtaining information about the sale and classifying sales data for use in stratification and analysis. Real estate transfer documents providing information on land sales are the least expensive source of sales data. Other sources include sales questionnaires, interviews with various parties (e.g. buyer, seller, agent, title company), third party sources (e.g. real estate agencies, financial institutions, private appraisers), and listing or advertising of property for sale.

Based upon the information obtained through research of each sale, the sales database is edited to remove or flag non-arm's length transfer, such as sales between related parties, forced sales, and sales of legal convenience. Multiple parcel and partial interest sales can be used in analysis but care must be exercised to assure the resulting information in the sales database is properly used in analysis. The method of financing sales should also be considered and documented in the sales database. Sales involving nonmarket financing should be adjusted to the cash equivalent price or rejected if adjustment is not possible. Any other sales that should be adjusted or flagged as non-arm's length transfers should be noted in the sale database.

In addition to sales data, the assessor should gather and verify market data on land rents, ground leases, and other land development costs. This information can be particularly useful when few vacant land sales exist. Land residuals obtained by subtracting improvement values from sales prices of improved parcels can be used to provide indirect estimates of land values. The resulting residuals can be used, together with vacant land sales, in the mass appraisal analysis process of land valuation.

When land values are appreciating or depreciating, sales prices should be adjusted for time of sale. The target date to which sales prices are adjusted is the assessment date or lien date. Four techniques of deriving time adjustment factors from market data are paired sales analysis, resales analysis, sales ratio trend analysis, and multiple regression analysis. Time-adjustment factors can be developed and applied on either a compound or constant (straight-line) basis. In the paired sales analysis technique, similar properties are identified that have sold at different times, the older sale is adjusted to the more recent sale to account for any physical differences between the properties, and then any remaining difference is attributed to time. Resale analysis is similar to paired sales analysis except that the same property (an older sale of the property and a subsequent resale of the same property) is considered in the analysis. Sales ratio trend analysis usually involves graphing the sale price to appraisal ratios over time. A trend line is applied (linear regression) to the graph and the rate of change can be extracted by visual inspection of the graph or mathematical calculation. Multiple regression analysis is a tool for evaluating the influence of several independent factors, such as property characteristics, on a dependent factor, such as sale price. If time is one of the independent variables, its effect on sales prices can be estimated and the rate of change in price levels extracted.

Stratification

Stratification, in general, is simply a method of organizing data or grouping data elements based on defined criteria. Stratification can be used in many applications to analyze data.

The first step¹⁷⁹ in land valuation is market analysis: stratification, determination of units of comparison, and data analysis. Stratification is the sorting of sales and other market data into homogeneous groups. In land valuation, strata should reflect geographic areas subject to different market influences, variations in zoning and other land use controls, and probable use.

Stratification and analysis essentially result in county assessors determining market areas based on the use of the land and other characteristics. In using the sales comparison approach for land valuation, comparable sales are selected or stratified based on the characteristics of the market area. In other words, the market determines market areas and the appraiser organizes and interprets the data in order to place a value on the parcels within the market area (mass appraisal).

¹⁷⁹ Property Appraisal and Assessment Administration, Page 183

Subdivision Discount

Please refer to the discussion above on “Divisions of Land” for a brief introduction to processes for parceling land under Nevada law. Land that is “subdivided” according to the definition in NRS 278.320 may be eligible for assessment as a subdivision versus assessment of individual lots.

NRS 361.227(2)(b) indicates that the unit of appraisal must be a single parcel unless the parcel is a group of contiguous parcels which qualifies for valuation as a subdivision pursuant to the regulations of the Nevada Tax Commission.

NRS 361.227(6)(d) requires the Department of Taxation to establish “criteria for valuation of two or more parcels as a subdivision.” The Department fulfilled this requirement in adopting NAC 361.1125, 361.129 and 361.1295 as follows:

NAC 361.1125 “Expected absorption period” defined. ([NRS 360.090](#), [360.250](#)) “Expected absorption period” means the length of time within which all the parcels in a qualified subdivision may reasonably be expected to be sold, rented or occupied if they are actively marketed. The period begins on July 1 of the year for which the tax on the parcels is levied and ends on the date determined by the county assessor.

(Added to NAC by Tax Comm’n, eff. 11-14-88)

NAC 361.129 Appraisal of parcel as part of qualified subdivision. ([NRS 360.090](#), [360.250](#), [361.227](#))

1. A parcel must be appraised as provided by paragraph (b) of subsection 2 of [NRS 361.227](#) and [NAC 361.1295](#) if:

- (a) It is one of a group of 10 or more contiguous parcels held under common ownership;
- (b) A final map, a series of final maps or one or more subdivision maps covering the area containing the parcel has been presented to the county recorder for filing in the manner provided by [NRS 278.360](#) to [278.460](#), inclusive, or the parcel is assessable property in an improvement district created pursuant to [chapter 271](#) of NRS;
- (c) The owner of the parcel provides the county assessor with whatever information the assessor deems necessary to determine the taxable value of the parcel; and
- (d) The county assessor determines that the group of parcels affected has an expected absorption period of more than 1 year.

2. For the purposes of this section:

- (a) The owner of a parcel is the person or entity shown as such in the records of the county recorder.
- (b) A parcel is contiguous with other parcels held under common ownership even if it is separated from those parcels:
 - (1) By an easement, right-of-way, street, highway or other obstruction; or
 - (2) By one or more parcels held by third persons, if the parcels so held are in the same phase or section of a development.
- (c) A parcel is not contiguous with other parcels held under common ownership, though they share a common boundary, if they are in different phases or sections of a development.

(Added to NAC by Tax Comm’n, eff. 11-14-88; A 10-27-93; R031-03, 8-4-2004)

NAC 361.1295 Taxable value of land within qualified subdivision. ([NRS 360.090](#), [360.250](#), [361.227](#))

1. In determining the taxable value of land within a qualified subdivision, the county assessor shall use, as he deems appropriate based upon the available information concerning the subdivision:

- (a) The full cash value of the subdivision as unimproved land, plus all actual costs of site preparation and on- and off-site improvements;
- (b) The selling price of any comparable subdivision or group of parcels, adjusting that price as appropriate to reflect differences between the land sold and the land being appraised; or
- (c) The estimated retail selling price of all parcels in the subdivision which are not sold, rented or occupied, reduced by the percentage specified for the expected absorption period of the parcels:

Expected Absorption Period (Years)	Percentage of Reduction
1 - 3.....	20
4 - 6.....	30
7 - 9.....	40
10 or more.....	50

2. The taxable value determined as provided in subsection 1 must be allocated to each parcel in the subdivision which is not sold, rented or occupied according to the size and other characteristics of that parcel.

3. The taxable value of any improvements made within a qualified subdivision must be determined as provided by [NRS 361.227](#).

(Added to NAC by Tax Comm'n, eff. 11-14-88)

Therefore, the assessor first determines that the intent of the development is a subdivision according to NRS 278.360 to 278.460, the subdivision of land. The actual recorded maps from the subdivision may be a series of parcel maps or one or more subdivision maps.

Then, the assessor determines if a subdivision qualifies for a discount using the criteria in NRS 361.129(1). If a subdivision qualifies, the assessor must determine which of the three methods described in NRS 361.1295 are applicable. The assessor must then apply the results of the analysis to the parcels held by the developer in the subdivision.

The following example illustrates the process if the assessor determines that the method described in NAC 361.1295(1)(a) is appropriate:

Assume the following facts pertain to this subdivision:

- It is a qualified subdivision as prescribed in NAC 361.129, Section 1
- Its taxable value is the combination of the full cash value of the raw land and the total costs incurred to the current stage of development

Analysis of several raw acreage sales indicates an estimated value of \$15,000 per acre. Twenty-five acres of raw land purchased for \$15,000 per acre produces a total cost of \$375,000.

Site preparation costs of \$800 per acre times twenty-five acres produces an estimated value of \$20,000. Off-site improvements cost \$3,000 per acre and on-site improvements cost \$2,000 per acre for total costs of \$75,000 and \$50,000 respectively.

In summary:

Raw Land	\$375,000
Site Preparation	20,000
Off-site Improvements	75,000
On-site Improvements	50,000
Total costs	\$520,000
Assume 31 subdivision lots	31
Cost for each lot	\$16,700

The following example illustrates the process if the assessor determines that the method described in NAC 361.1295(1)(b) is appropriate:

Assume the following facts pertain to this subdivision:

- a. The subject is a 25 acre subdivision with level topography, normal soil condition and good location
- b. It is a qualified subdivision as prescribed in NAC 361.129, Section 1

Two comparable subdivisions exist which have sold. Their selling prices have been adjusted to the subject property as follows:

Sale No. 1

Date of Sale	July 2010
Price	\$937,500
Acreage	33.91 acres
Size Adjustment	-27%
Topography	-10%
Soil	0
Location	+9%
Overall Adjustment	-28%
Adjusted Value (\$937,500 * .72)	\$675,000
Adjusted Value per acre	\$27,000

Sale No. 2

Date of Sale	July 2010
Price	\$1,000,000
Acreage	35.48 acres
Size Adjustment	-30%
Topography	0
Soil	0
Location	0
Overall Adjustment	-30%
Adjusted Value (\$1,000,000 * .70)	\$700,000
Adjusted Value per acre	\$28,000

To reconcile to a final estimate of taxable value, evaluate the adjusted sales price per acre for both sales. Consider the amount and the total number of adjustments. Estimate a final taxable value of the subject subdivision by applying the market evidence of \$28,000 per acre.

The following examples illustrate the process if the assessor determines that the method described in NAC 361.1295(1)(c) is appropriate:

Subdivision No. 1

Assume the following facts pertain to this subdivision:

- a. It was originally recorded in 2000
- b. It began as a subdivision containing 37 lots
- c. Its sales history is

From 2001 to 2008, six lots sold. This indicated approximately a 1 sale per year rate

In 2009, 2 groups of 5 lots each sold to a construction firm. This indicated a 10 sales per year rate

In 2010, 2 lots sold. One sale was a resale. This indicated a 2 sales per year rate

The construction firm resold four of its lots after building homes on them.

- d. A synopsis of the total sales activity of this subdivision shows

Total lots sold (18 sales less one resale)	17
Remaining lots in inventory	20
Subdivider's ownership	14
Builder's ownership	6

The subdivider qualifies but the builder does not qualify for a subdivision discount.

After the assessor determines qualification, the following steps then occur:

- The assessor substantiates the sales trends by reviewing the data pertaining to similar subdivisions in the area. Assume that this results in a value of \$30,000 per lot.
- The assessor uses the sales data to calculate an absorption period. In this example, it appears that 2 sales per year is normal.
- The lien date is July 1, 2010, based on the appraisal work year of 2009.
- The assessor applies the proper discount rate to the retail selling price of the lots remaining that have qualified. The discount rate to apply is found on the chart in NAC 361.1295, Section 1(c)

Summary of Subdivision No. 1

14 lots remain July 1, 2009 and assume 2 sold each year	7 years
Absorption period July 1, 2010 (lien date) to June 30, 2016	6 years
Discount per table in NAC 361.1295(1)(c)	30%
Estimated value per lot	\$30,000
Discount (\$30,000 * 30%)	9,000
Discounted Value per lot	\$21,000
Estimated value for 14 lots held by subdivider	\$420,000
Discount for 14 lots	\$126,000
Discounted value for 14 lots	\$294,000

Subdivision No. 2

Assume the following facts pertain to this subdivision:

- It was originally recorded in 2001
- It began as a subdivision containing 34 lots
- Its sales history is

From 2001 to 2008, six lots sold. This indicated approximately a 1 sale per year rate

In 2009, 2 groups of 18 lots sold. This indicated a 18 sales per year rate

In 2010, 6 lots sold. One sale was a resale. This indicated a 6 sales per year rate

- d. A synopsis of the total sales activity of this subdivision shows

Total lots sold	30
Remaining lots in inventory	4

Summary of Subdivision No. 2

The subdivider does not qualify for a subdivision discount because less than 10 lots remain in inventory

Unpatented Mining Claims

An unpatented mining claim is a parcel of Federal land for which an individual has asserted a right of possession by virtue of locating a valuable mineral deposit. The holder of a valid unpatented mining claim has a possessory interest to the land covered by the claim, which gives the claimant exclusive possession of the surface for mining purposes and the right to mine and remove minerals from the claim. Legal title to the land encompassed by an unpatented mining claim remains in the United States, and the government can contest the validity of a mining claim. Unpatented mining claims are similar to other federal programs for private use of public lands including oil and gas leases, geothermal leases, solar energy rights-of-way, wind energy rights-of-way, mineral material sales (e.g. sand and gravel), and other programs usually administered by the Bureau of Land Management, U S Forest Service or other Federal agencies.

Unpatented mining claims must be physically located with stakes on which a location notice is posted and monuments are placed on the boundaries of the claim. See Mining Law of 1872, 30 U.S.C. §§ 22-42¹⁸⁰ There are several different types of mining claims.

Lode Claims: Deposits subject to lode claims include classic veins or lodes having well-defined boundaries. They also include other rock in-place bearing valuable minerals and may be broad zones of mineralized rock. Examples include quartz or other veins bearing gold or other metallic minerals and large volume but low-grade disseminated metallic deposits. Lode claims are usually described as parallelograms with the longer side lines parallel to the vein or lode. Descriptions are by metes and bounds surveys (giving length and direction of each boundary line). Federal statute limits their size to a maximum of 1,500 feet in length along the vein or lode. Their width is a maximum of 600 feet, 300 feet on either side of the centerline of the vein or lode. The end lines of the lode claim must be parallel to qualify for underground extralateral rights. Extralateral rights (also known as the law of apex) involve the rights to minerals that extend at depth beyond the vertical boundaries of the claim.

Placer Claims: Mineral deposits subject to placer claims include all those deposits not subject to lode claims. Originally, these included only deposits of unconsolidated materials or alluvial deposits, such as sand and gravel, containing free gold or other minerals. By Congressional acts and judicial interpretations, many nonmetallic bedded or layered deposits, such as gypsum and high calcium limestone, are also considered placer deposits. Placer claims, where practicable, are located by legal subdivision of land (for example: the E 1/2 NE 1/3 NE 1/4, Section 2, Township 10 South, Range 21 East, Mount Diablo Meridian). The maximum size of a placer claim is 20 acres per locator.

Mill Sites: A mill site must be located on non-mineral land. Its purpose is to either (1) support a lode or placer mining claim operation or (2) support itself independent of any particular claim. A mill site must include the erection of a mill or reduction works and/or may include other uses

¹⁸⁰ Also see Papke, Keith G. and David A Davis, "Mining Claim Procedures for Nevada Prospectors and Miners" Fifth Edition (Nevada Bureau of Mines and Geology, Mackay School of Mines) <http://www.nbmgs.edu/dox/sp6.pdf>
Also see NRS Chapter 517 Mining Claims, Mill Sites and Tunnel Rights. Specifically NRS 517.010 – Requirements for location of mining claims.

Also see presentation to Nevada Assessor's Association September 14, 2010. "Patented Mining Claims and Possessory Interests."

Links: Nevada Division of Minerals (<http://minerals.ste.nv.us>)

U. S. Department of the Interior – Bureau of Land Management – Nevada State Office (<http://www.blm.gov/nv>)

BLM Geocommunicator (<http://www.geocommunicator.gov>)

reasonably incident to the support of a mining operation. Descriptions of mill sites are by metes and bounds surveys or legal subdivision. The maximum size of a mill site is 5 acres.

Tunnel Sites: A tunnel site is where a tunnel is run to develop a vein or lode. It may also be used for the discovery of unknown veins or lodes. To stake a tunnel site, two stakes are placed up to 3,000 feet apart on the line of the proposed tunnel. Recordation is the same as a lode claim. Some States require additional centerline stakes (for example, in Nevada centerline stakes must be placed at 300-foot intervals). An individual may locate lode claims to cover any or all blind (not known to exist) veins or lodes intersected by the tunnel. The maximum distance these lode claims may exist is 1,500 feet on either side of the centerline of the tunnel. This, in essence, gives the mining claimant the right to prospect an area 3,000 feet wide and 3,000 feet long. Any mining claim located for a blind lode discovered while driving a tunnel relates back in time to the date of the location of the tunnel site.

The Mining Law requires the performance of annual assessment work for each claim, and subsequent to enactment of the Federal Land Policy and Management Act of 1976 (FLPMA), 43 U.S.C. §1201 et seq., mining claims are invalidated if evidence of assessment work is not timely filed with BLM. However, in 1993 Congress enacted provision requiring payment of a \$100 per year claim maintenance fee in lieu of performing assessment work, subject to an exception for small miners having less than ten claims. No royalty is paid to the United States with respect to minerals mined and sold from a mining claim.

In addition to federal requirements, an annual filing must be made for each lode or placer claim and each mill or tunnel site with (a) the County Recorder on or before November 1 of each year and (b) the U.S. Bureau of Land Management, Nevada State Office, on or before September 1 of each year.

The following map shows the distribution of unpatented mining claims in Nevada:



Source: BLM GeoCommunicator

<http://www.geocommunicator.gov/blmMap/Map.jsp?MAP=MC>

The Nevada Constitution Article 10 Section 5 provides for the taxation of certain minerals only when the minerals are sold through the Net Proceeds of Mines Tax. Therefore, certain minerals in situ are not taxed. Examples of minerals subject to the Net Proceeds of Mines Tax (and therefore not taxed in situ) include gold, silver, copper, barite, gypsum, oil, gas, other hydrocarbons, geothermal resources, gemstones, and many other minerals. Sand and gravel, including stone and decorative rock, is specifically excluded¹⁸¹ from the Net Proceeds of Mines Tax.

Since the Nevada Constitution exempts the taxation of minerals in situ related to an unpatented mining claim, the value of the rights to use the surface of the land would normally be taxable as a possessory interest, however, there is a specific exemption for unpatented mining claims.

NRS 361.075 Exemption of unpatented mines and mining claims. Unpatented mines and mining claims shall be exempt from taxation, but nothing in this section shall be so construed as to:

1. Exempt from taxation possessory claims to the public lands of the United States or of this state, or improvements thereon, or the proceeds of the mines; and
2. Interfere with the primary title to the lands belonging to the United States.

[Part 1:344:1953; A 1954, 29; 1955, 340]

As indicated this statute, the exemption does not exempt improvements on unpatented mining claims or possessory claims. A possessory claim is use of federal land for purposes not specifically allowed on the unpatented mining claim. For example, if a mining company has improvements or personal property on the unpatented claim, the improvements and personal property are taxable, whereas the surface and minerals in situ are exempt. For example, if a homeowner has constructed a home on an unpatented mining claim a possessory claim and therefore a taxable possessory interest in the land has been created. In addition, the homeowner improvements would be taxable also.

¹⁸¹ NRS 362.010 (2) "Mineral" includes oil, gas and other hydrocarbons, but does not include sand, gravel, or water, except hot water or steam in an operation extracting geothermal resources for profit.

22.2 Appendix B – Glossary

Disclaimer: This section is not legal advice and is merely a listing of definitions to aid in the understanding of land valuation processes described in this report. Readers should not rely on this information for any other purpose. Readers are encouraged to contact appropriate qualified professionals regarding property documents.

Death of Grantor Affidavit

A Death of Grantor Affidavit is described in NRS 111.109(8).

NRS 111.109 Conveyance by deed which becomes effective upon death of grantor.

...

(8) Upon the death of the last grantor of a deed created pursuant to subsection 1, a declaration of value of real property pursuant to [NRS 375.060](#) and a copy of the death certificate of each grantor must be attached to a Death of Grantor Affidavit and recorded in the office of the county recorder where the deed was recorded. The Death of Grantor Affidavit must be in substantially the following form:

DEATH OF GRANTOR AFFIDAVIT

..... (affiant name), being duly sworn, deposes and says that (name of deceased), the decedent mentioned in the attached certified copy of the Certificate of Death, is the same person as (name of grantor), named as the grantor or as one of the grantors in the deed recorded on (date), in docket or book, at page, or instrument number, records of County, Nevada, covering the following described property:
(Legal Description)

..... (affiant name) is the grantee or at least one of the grantees to whom the real property is conveyed upon the death of the grantor (name of deceased) or is the authorized representative of the grantee or at least one of the grantees.

(Date)

(Signature)

Deed in Lieu of Foreclosure

A Deed in Lieu of Foreclosure conveys property from the owner (grantor) to the lender (grantee) to avoid the foreclosure process. These conveyances generally do not meet the definition of an arm's-length transaction and are generally excluded from sales data used in analyses of value.

Deed of Trust

A Deed of Trust is a document which pledges real property to secure a loan. A Deed of Trust is used instead of a Mortgage in certain states. The property is deeded by the title holder (trustor) to a trustee (often a title or escrow company) which holds the title in trust for the beneficiary (the lender of the money). When the loan is fully paid, the trustor requests the trustee to return the title by Reconveyance. If the loan becomes delinquent, the beneficiary (the lender of the money) can file a Notice of Default and, if the loan is not brought current, can demand that the trustee begin foreclosure on the property so that the beneficiary may either be paid or obtain title¹⁸². A Deed of Trust is not a sale and is excluded from sales data used in analyses of value.

¹⁸² dictionary.law.com

Deed Upon Death

A Deed Upon Death may be recorded pursuant to NRS 111.109. A Deed Upon Death does not immediately convey property and is therefore, is excluded from sales data used in analyses of value. The grantor may revoke the Deed Upon Death at any time by recording a Revocation. Conveyance does not occur until the death of the grantor and filing of an Death of Grantor Affidavit (NRS 111.109(8)). The Deed Upon Death is generally not a transaction that is included in sales data used for analyses of value. However, the conveyance following the grantors death may be included in sales data used for analyses of value.

Easement

An easement is the right to use the real property of another for a specific purpose. The easement is itself a real property interest, but legal title to the underlying land is retained by the original owner for all other purposes. Typical easements are for access to another property (often redundantly stated “access and egress” since entry and exit are over the same path), for utility or sewer lines both under and above ground, use of spring water, entry to make repairs on a fence or slide area, drive cattle across and other uses. An easement can be created by deed to be recorded just like any real property interest, by continuous and open use by the non-owner against the rights of the property owner for a statutory number of years, typically five (“prescriptive easement”), or to do equity (fairness), including giving access to a “land-locked” piece of property (sometimes called an “easement of necessity”). Easements may be specifically described by boundaries (e.g. “24 feet wide along the northern line for a distance of 180 feet”), somewhat indefinite (e.g. “along the trail to the northern boundary”), or just for a purpose (e.g. “to provide access to the Jones property” or “access to the spring”) sometimes called a “floating easement.” There is also a “negative easement” such as prohibition against building a structure which blocks a view. Title reports and title abstracts will usually describe all existing easements upon a parcel of real property. Issues of maintenance, joint use, locking gates, damage to easement and other conflicts clog the judicial system, mostly due to misunderstandings at the time of creation.¹⁸³

Easement Deed

An Easement Deed is a recorded document describing an easement conveyed from a grantor to a grantee. Easement Deeds may or may not reflect a transaction for consideration in sales data used for analyses of value. An easement may affect property value.

Foreclosure

Foreclosure is a legal proceeding to terminate a mortgagor’s interest in property, instituted by the lender (the mortgage) either to gain title or to force a sale in order to satisfy the unpaid debt secured by the property. A number of different types of sales may occur during the foreclosure process.¹⁸⁴

Foreclosure Deed

See Trustee’s Deed

¹⁸³ dictionary.law.com

¹⁸⁴ See IAAO Sales Verification & Foreclosure Outline dated February 28, 2009, page 2

Foreclosure Related Sales

A number of different types of sales may occur during the foreclosure process. These sales are typically discarded during the sales verification process, but may be used if foreclosure sales represent a significant portion of the market.

Pre-Foreclosure Sales

Pre-Foreclosure Sales typically, but not always, occur prior to Foreclosure or Sheriff's Sales. Pre-Foreclosure Sales include: (1) Normal Third-party Sales (2) Short Sales, (3) Deed in Lieu of Foreclosure, (4) Pre-Foreclosure with Deficit Cure.

Foreclosure Sale or Sheriff's Sale

A Foreclosure Sale or Sheriff's Sale is an auction, where the property is sold to the highest bidder. In most cases, the highest bidder is the bank/lender and the bid amount is the sum of the defaulted loan, plus interest and associated fees. Because the bank will bid up to the amount of the note plus fees and interest, the sales price might be more than current market value. The sale may be considered valid if the sale is well attended and the purchase is made by a party other than the lender. A Sheriff's Sale is also used to auction of property held by the County Treasurer for delinquent taxes.

Grant Bargain and Sale Deed

A Grant, Bargain and Sell Deed is a type of warranty deed containing only the specific covenants listed in NRS 111.170.

NRS 111.170 Construction of words "grant, bargain and sell" in conveyances; suit upon covenants.

1. The words "grant, bargain and sell" in all conveyances made after December 2, 1861, in and by which any estate of inheritance or fee simple is to be passed, shall, unless restrained by express terms contained in such conveyances, be construed to be the following express covenants, and none other, on the part of the grantor, for the grantor and the heirs of the grantor to the grantee, the heirs of the grantee, and assigns:

(a) That previous to the time of the execution of the conveyance the grantor has not conveyed the same real property, or any right, title, or interest therein, to any person other than the grantee.

(b) That the real property is, at the time of the execution of the conveyance, free from encumbrances, done, made or suffered by the grantor, or any person claiming under the grantor.

2. Such covenants may be sued upon in the same manner as if they had been expressly inserted in the conveyance.

Grant Deed

A Grant Deed is a document which transfers title to real property or a real property interest from one party (grantor) to another (grantee). It must describe the property by legal description of boundaries and/or parcel numbers, be signed by all people transferring the property, and be acknowledged before a notary public. A Grant Deed warrants that the grantor actually owned the title to transfer.¹⁸⁵ A Grant Deed is essentially a Warranty Deed. See Warranty Deed.

Limited Warranty Deed

See Warranty Deed

Post-Foreclosure Sale

¹⁸⁵ dictionary.law.com

Quitclaim Deed

A Quitclaim Deed is a real property deed which transfers (conveys) only that interest in the property in which the grantor has title. Quitclaim Deeds are commonly used in transfers of title or interests in title. Quitclaims are often made to family members, divorcing spouses, or in other transactions between people well-known to each other. Quitclaim deeds are also used to clear up questions of full title when a person has a possible but unknown interest in the property. Grant Deeds and Warranty Deeds guarantee (warrant) that the grantor has full title to the property or the interest the deed states is being conveyed, but Quitclaim Deeds do not warrant good title. Quitclaim Deeds may or may not represent sales that may be included in sales data used for analyses of value.¹⁸⁶

Revocation of Deed

A Revocation of Deed is a recorded document to revoke the Deed Upon Death recorded pursuant to NRS 111.109. See Deed Upon Death.

NRS 111.109 Conveyance by deed which becomes effective upon death of grantor.

...

7. A deed created pursuant to subsection 1 may be revoked at any time by the owner or, if there is more than one owner, by any of the owners who created the deed. The revocation is valid only if executed and recorded as provided by law in the office of the county recorder of the county in which the property is located before the death of the owner who executes the revocation. If the property is held as joint tenants with right of survivorship or as community property with the right of survivorship and the revocation is not executed by all of the owners, the revocation does not become effective unless the revocation is executed and recorded by the last surviving owner. The revocation of deed must be in substantially the following form:

REVOCATION OF DEED

The undersigned hereby revokes the deed recorded on (date), in docket or book, at page, or instrument number, records of County, Nevada.

(Date)

(Signature)

¹⁸⁶ dictionary.law.com

Short Sale

A short sale, sometimes referred to as a discounted payoff, is the sale of real estate where the total purchase price is less than the amount owed against the real estate. The lender/bank is thus accepting less than the total amount owed by the borrower. The property is at some stage of the default process, possibly, but not necessarily, before the Foreclosure or Sheriff's sale. The total purchase price is less than the mortgage amount, but not necessarily less than the value that would likely be obtained in an open market, arm's-length transaction. In a pre-foreclosure scenario, the parties are selling to avoid a foreclosure process. In the case of a post-foreclosure short sale, the seller is selling to reduce the potential deficiency which occurs when the lender sells the property. The clerical screening of this type of sale probably would not result in anything out of the ordinary, as the seller named is the seller and the buyer named is the buyer and there is no indication of bank/lending institution involvement. The sale verifier should compare the sale to other open market arm's-length transactions to see if the sales price falls in the value range. These sales should be included in sales information used for valuation if information is provided that no conditions of undue duress are evident.¹⁸⁷

Special Warranty Deed

See Warranty Deed

Trustee's Deed

A Trustee's Deed or Trustee's Deed Upon Sale reflects the conveyance of property sold at auction to the highest bidder, or taken back by a foreclosing lender. The Trustee's Deed transfers the property to the buyer who purchased the foreclosed property. See Foreclosure Sale. The sale may be considered valid if the sale is well attended and the purchase is made by a party other than the lender. However, generally, a Trustee's Deed is excluded from sales data used for analyses of value.

Trustor

A Trustor is the creator of a trust (who normally places the original assets into the trust). A Trustor may also be called a "settler" or "donor" in many states. Trustor is a title used primarily in Western States.

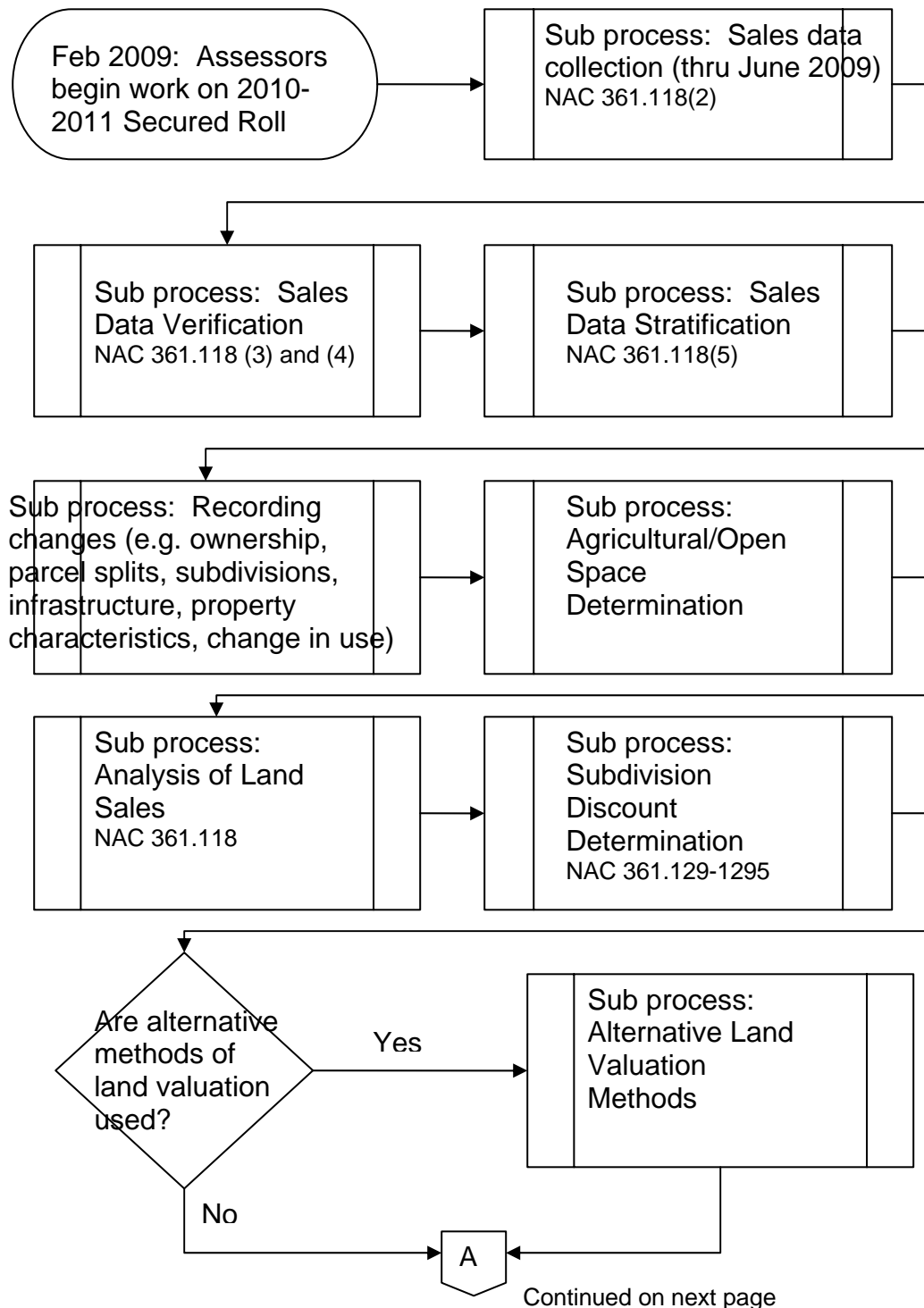
Warranty Deed

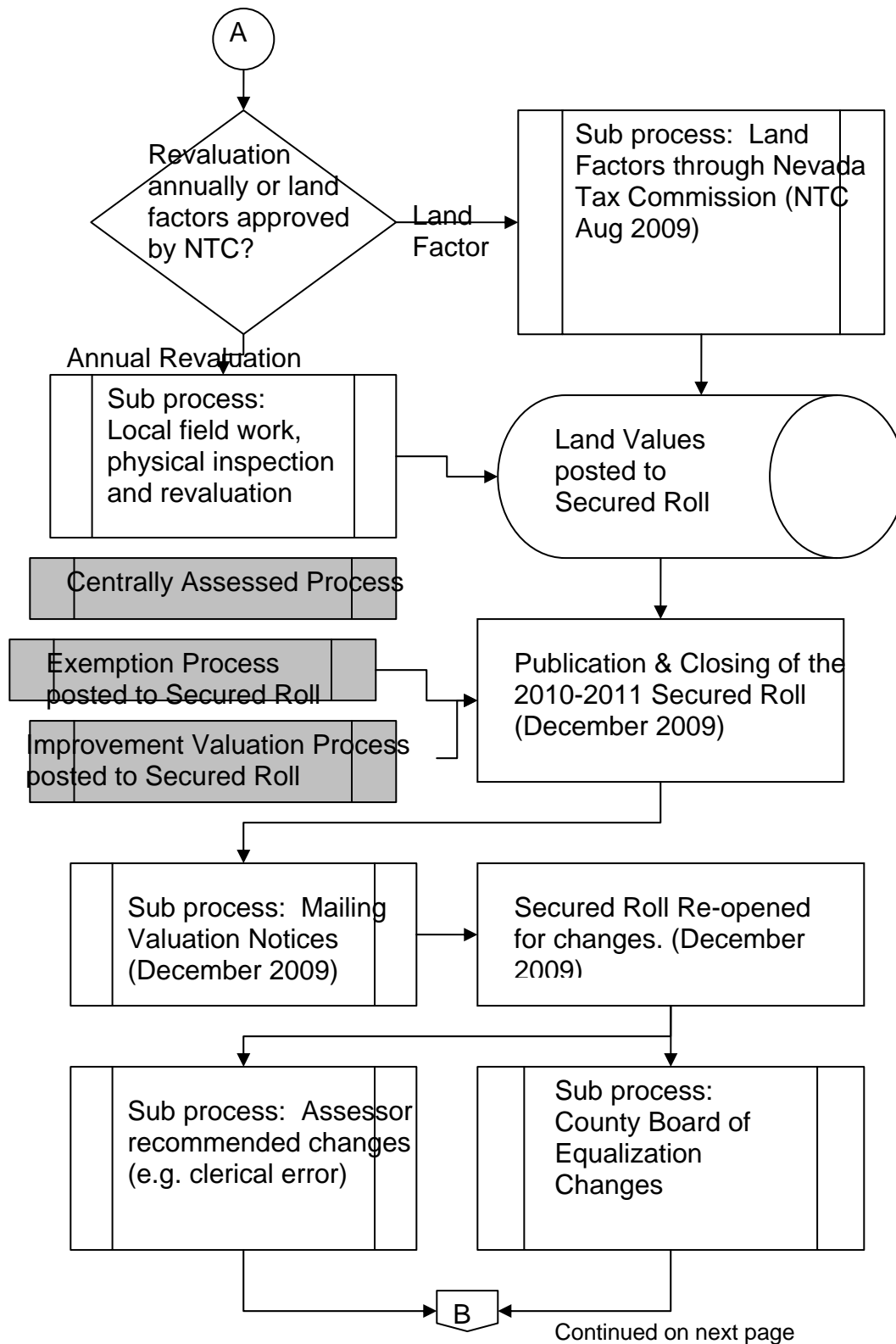
A Warranty Deed provides that the person granting the deed agrees to defend title from claims of others. In general, the seller is representing that they fully own the property and will stand behind the promise. Variations of warranty deeds are Special Warranty Deeds and Limited Warranty Deeds, in which the grantor does not warrant against title defects arising from conditions that existed before he/she owned the property. Special and Limited Warranty Deeds provide that the grantor warrants only that it has not created or suffered any defect in title to occur during the period that it was in title to the property being transferred. Special and Limited Warranty Deeds afford greater protection to the grantee than a Quitclaim Deed but less protection than a general Warranty Deed. A General Warranty Deed conveys real property with warranty covenants to the buyer. In general, Warranty Deeds convey property with the following covenants or warranties: (1) covenant of seisin (possession), (2) covenant against encumbrances, (3) covenant of quiet

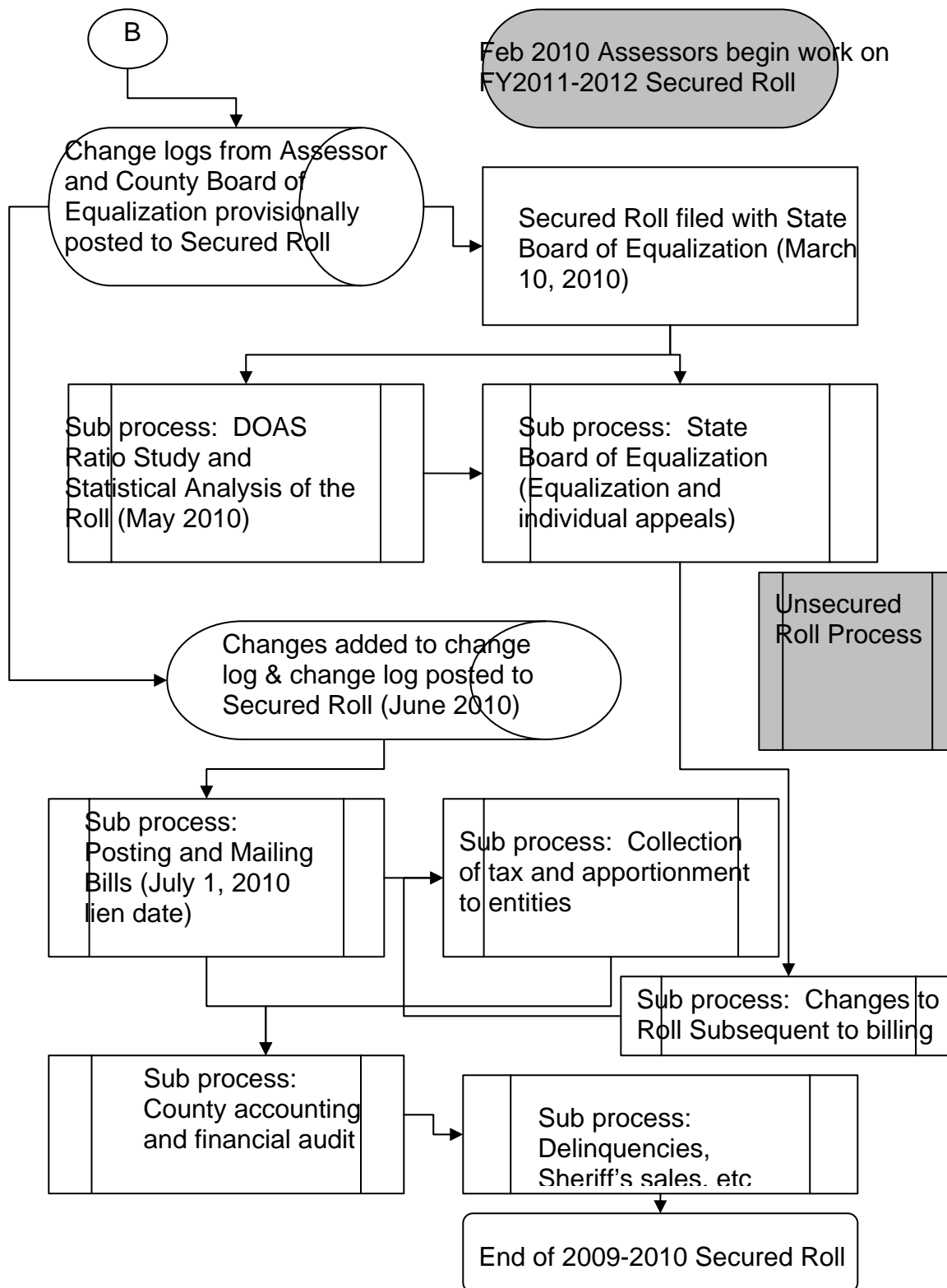
¹⁸⁷ See IAAO Sales Verification & Foreclosure Outline dated February 28, 2009, page 12

enjoyment, (4) covenant of further assurance. General Warranty Deeds are sometimes used to transfer property into or out of a living trust.

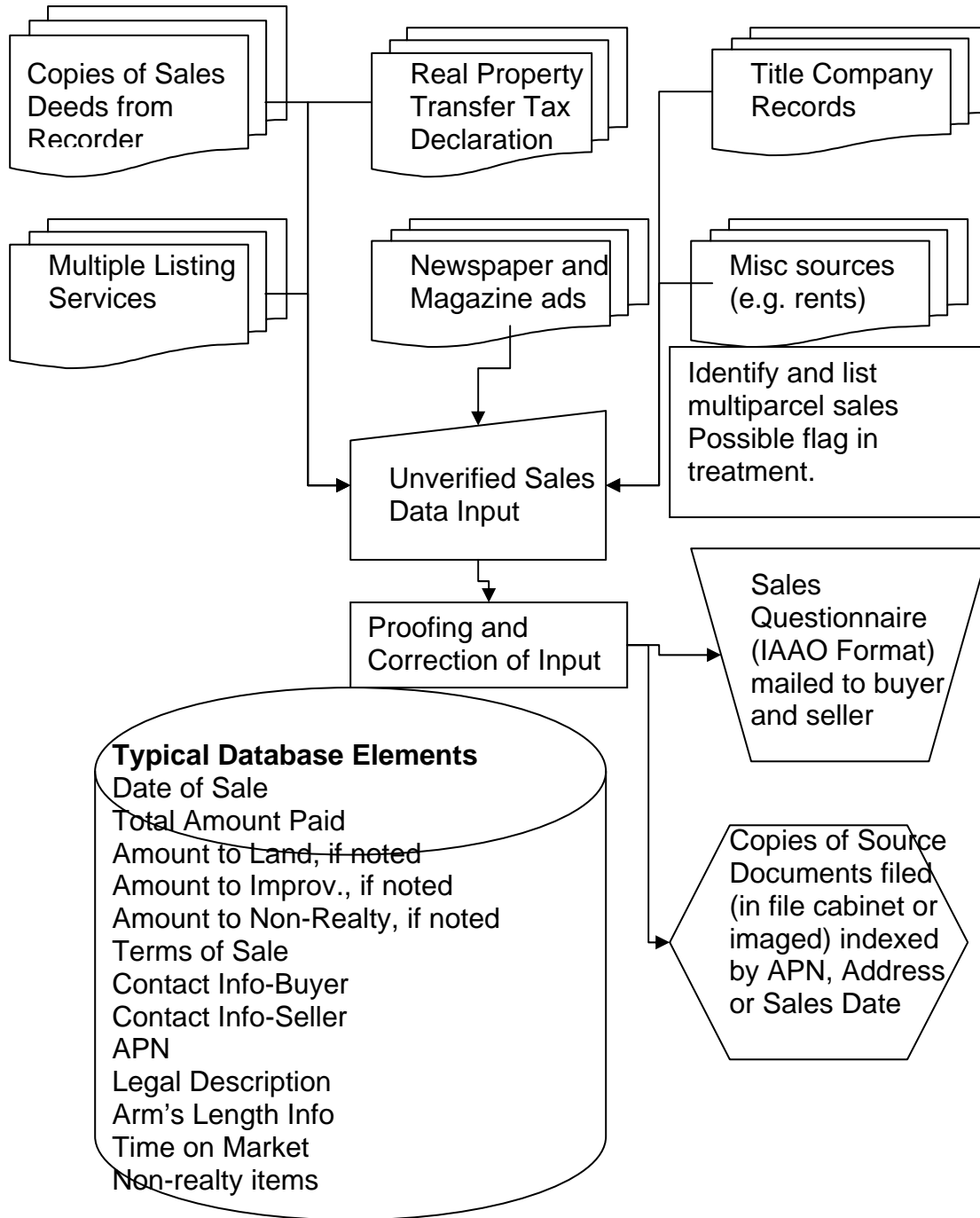
22.3 Appendix C – Work Flowchart



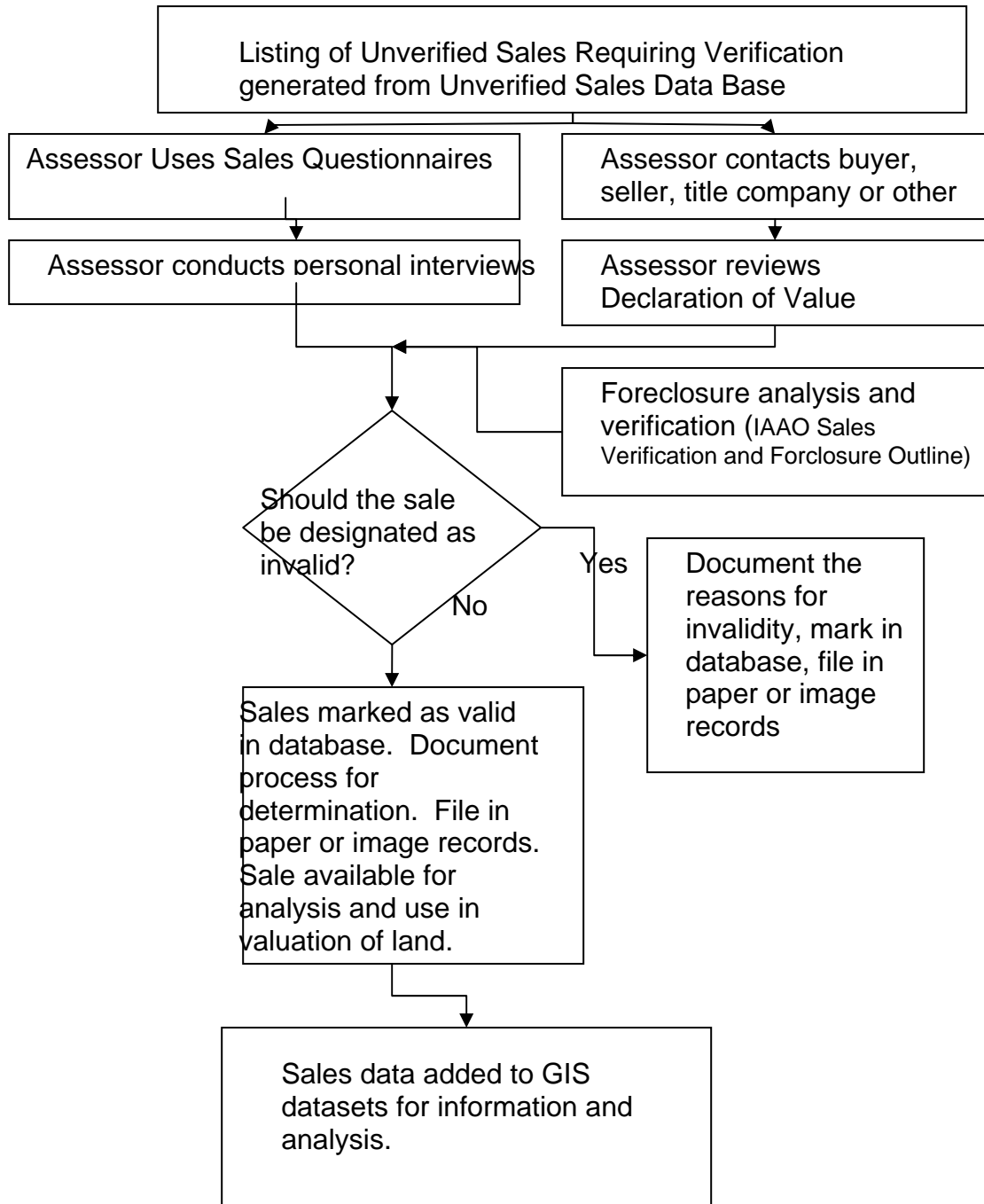




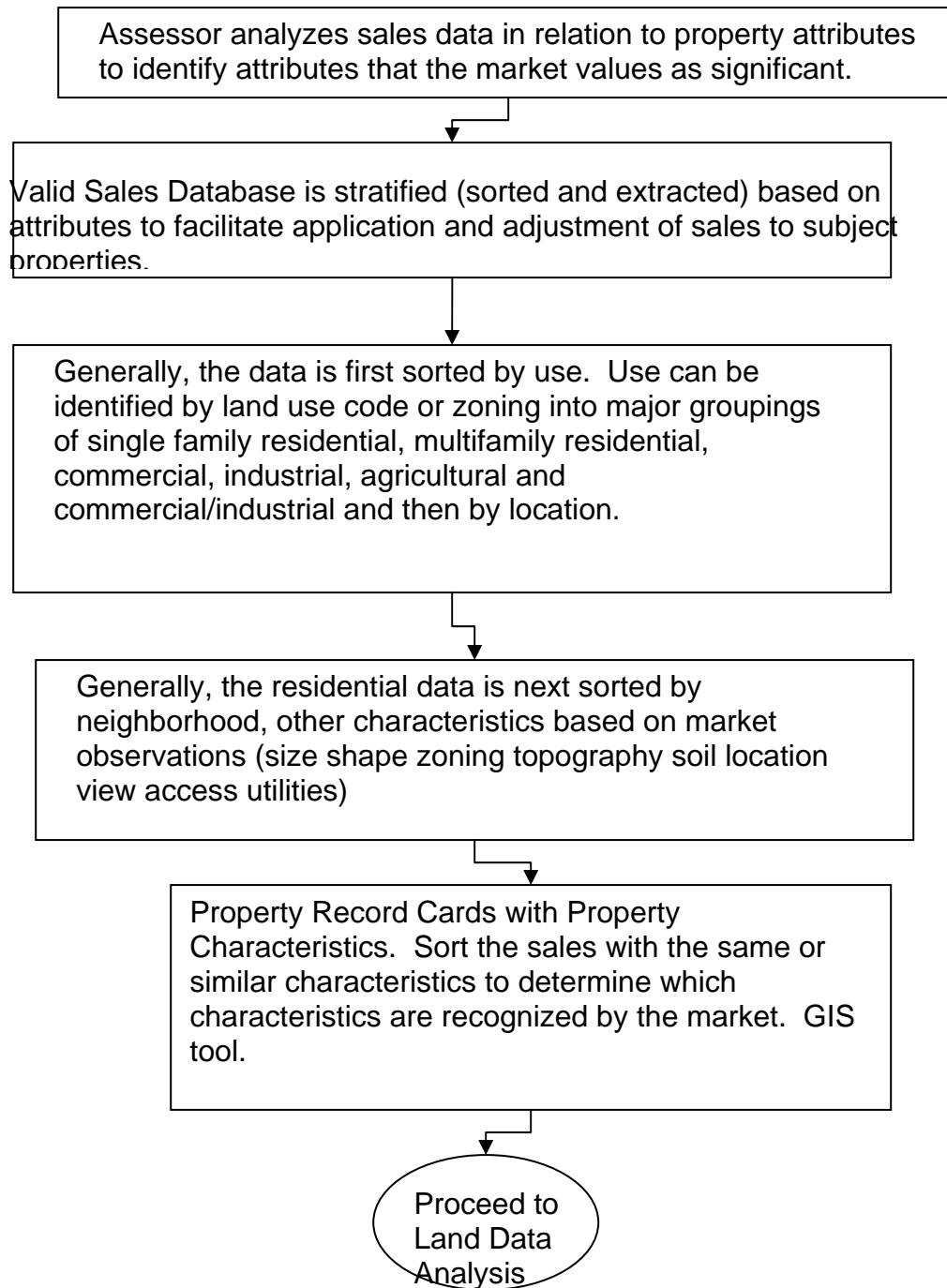
Sales Data Collection Sub Process NAC 361.118(2)



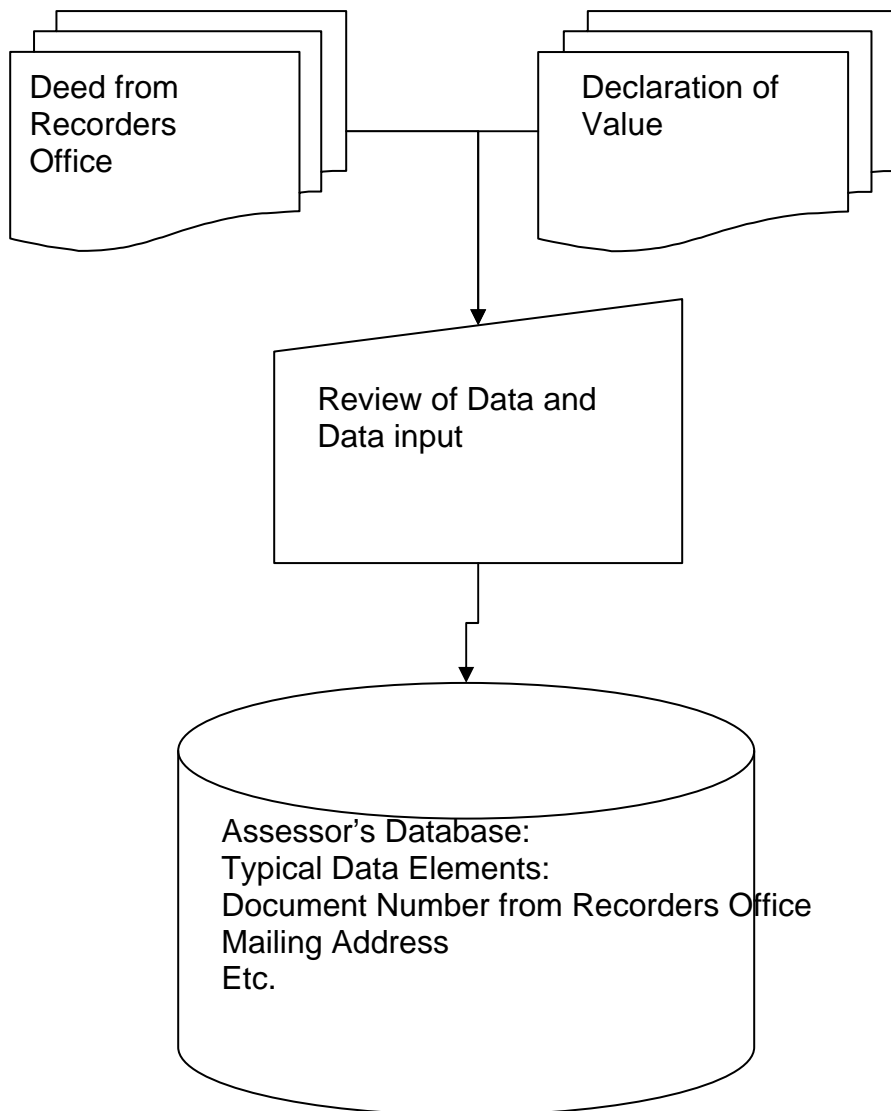
Sales Data Verification Sub Process NAC 361.118(3)



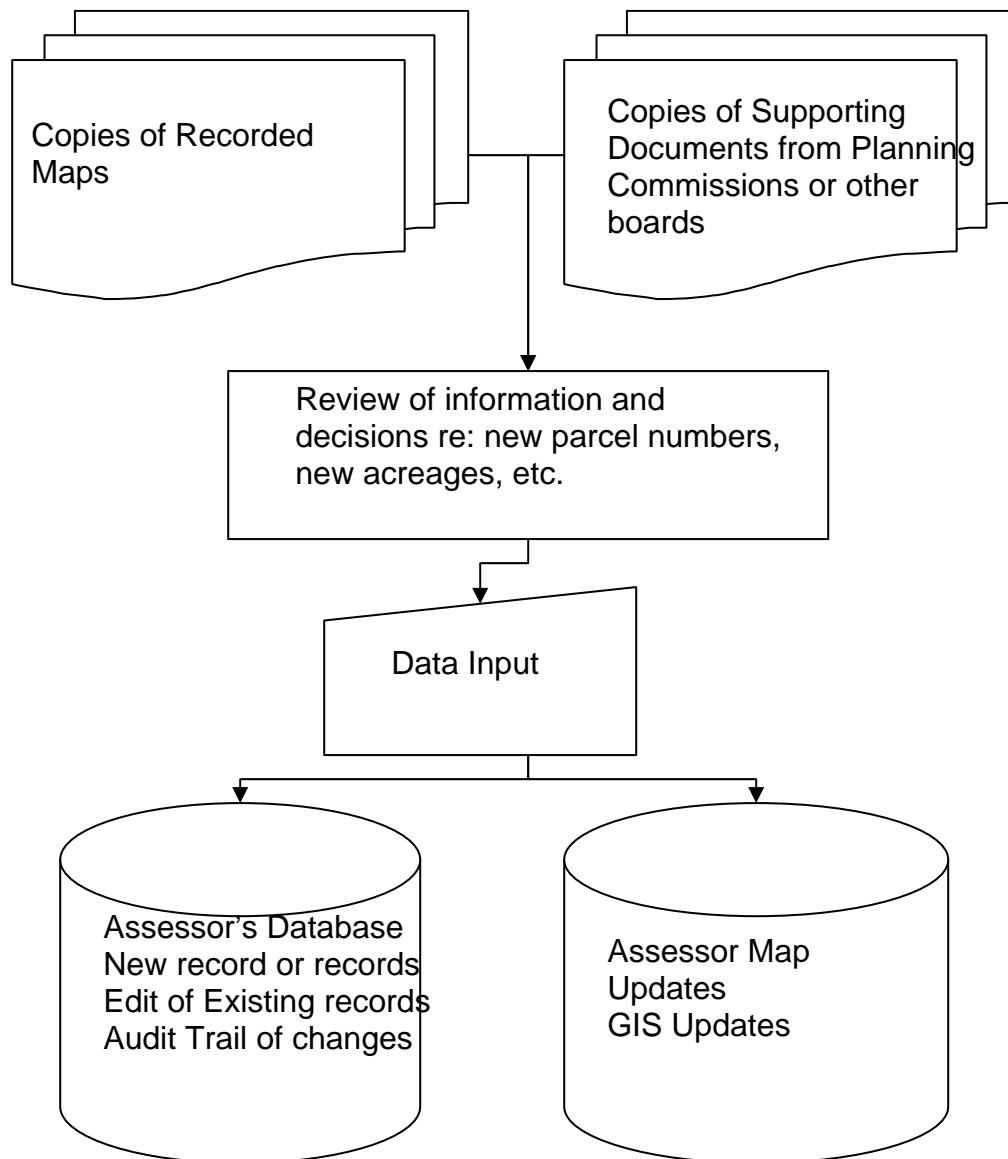
Sales Data Stratification Sub Process NAC 361.118(5)



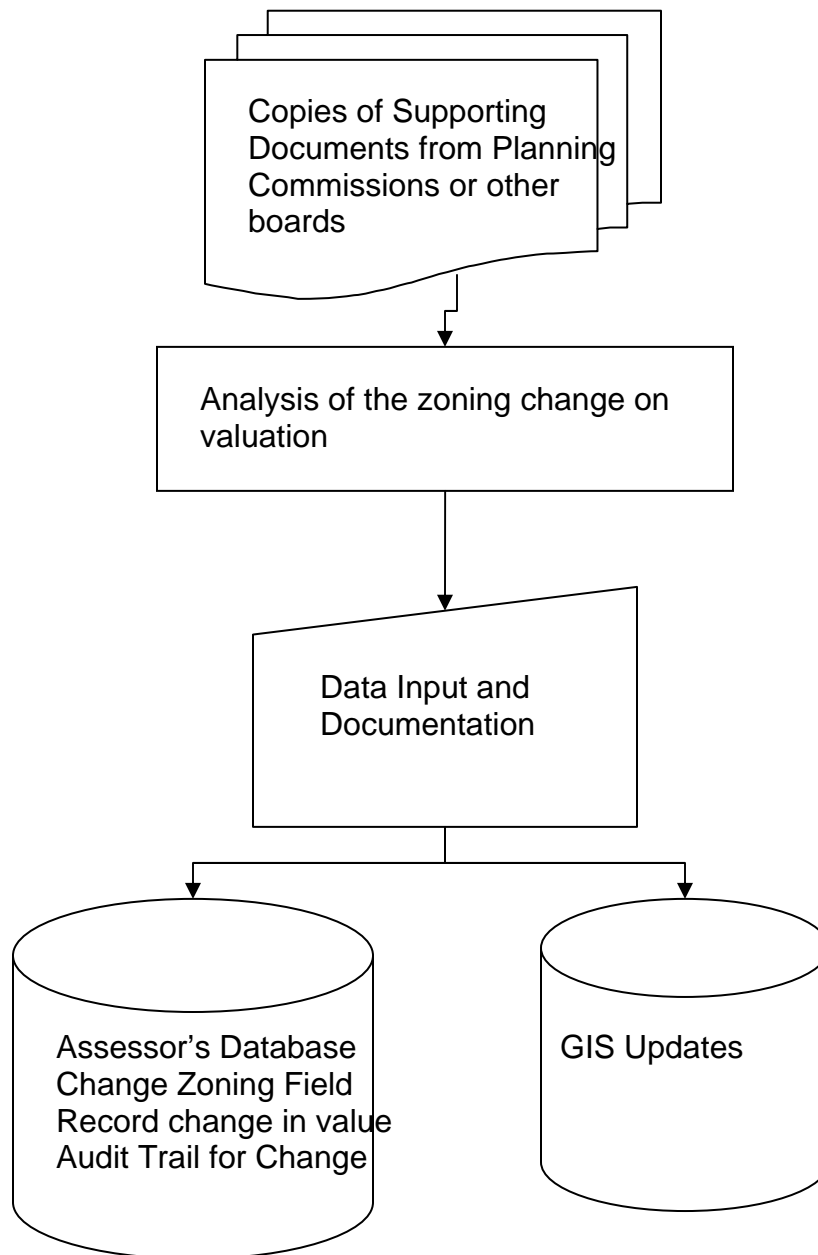
Changes of Ownership NRS 361.260(1)



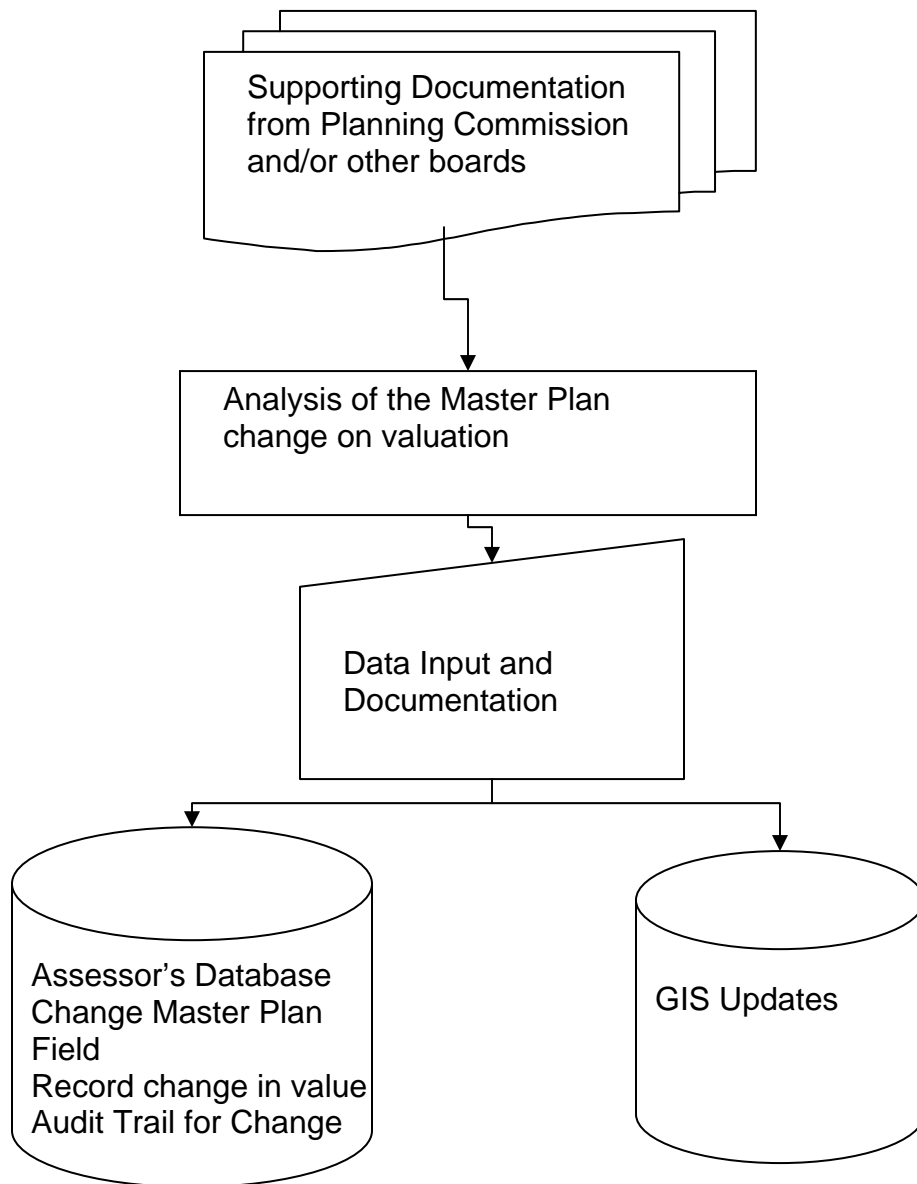
Parcel Splits/Combinations/Boundary Line Adjustments NRS 361.189(3)



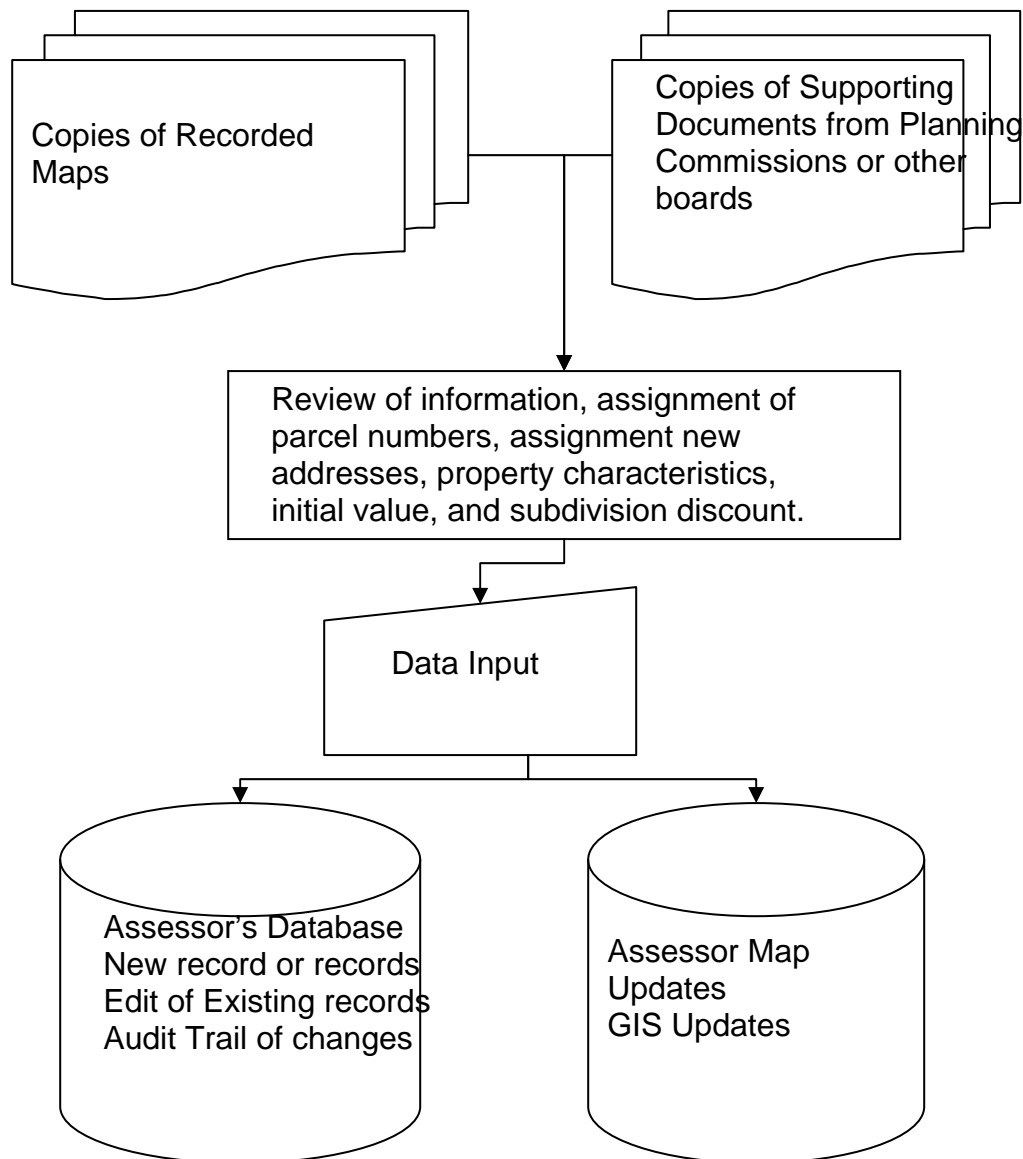
Zoning Changes

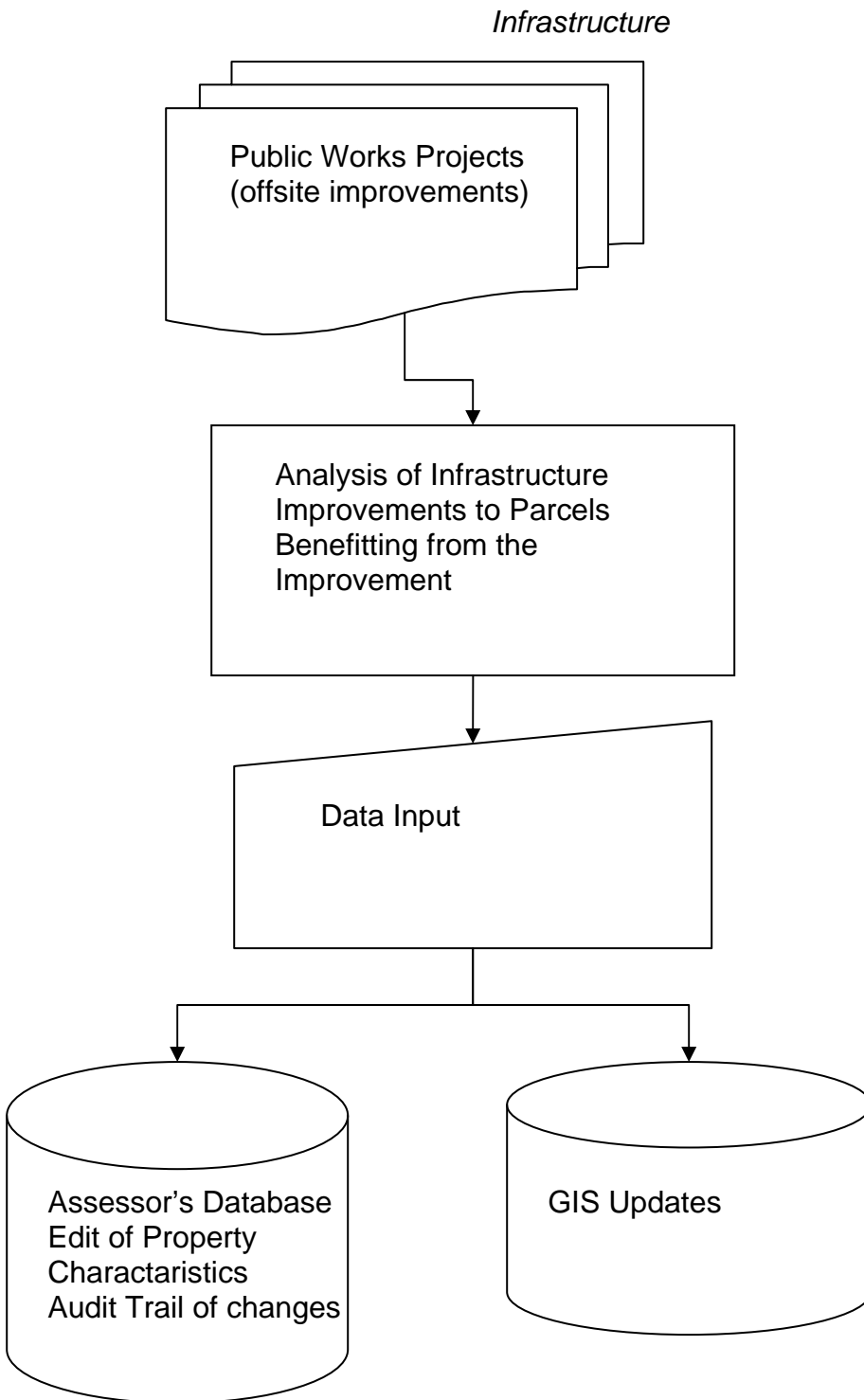


Master Plan Changes

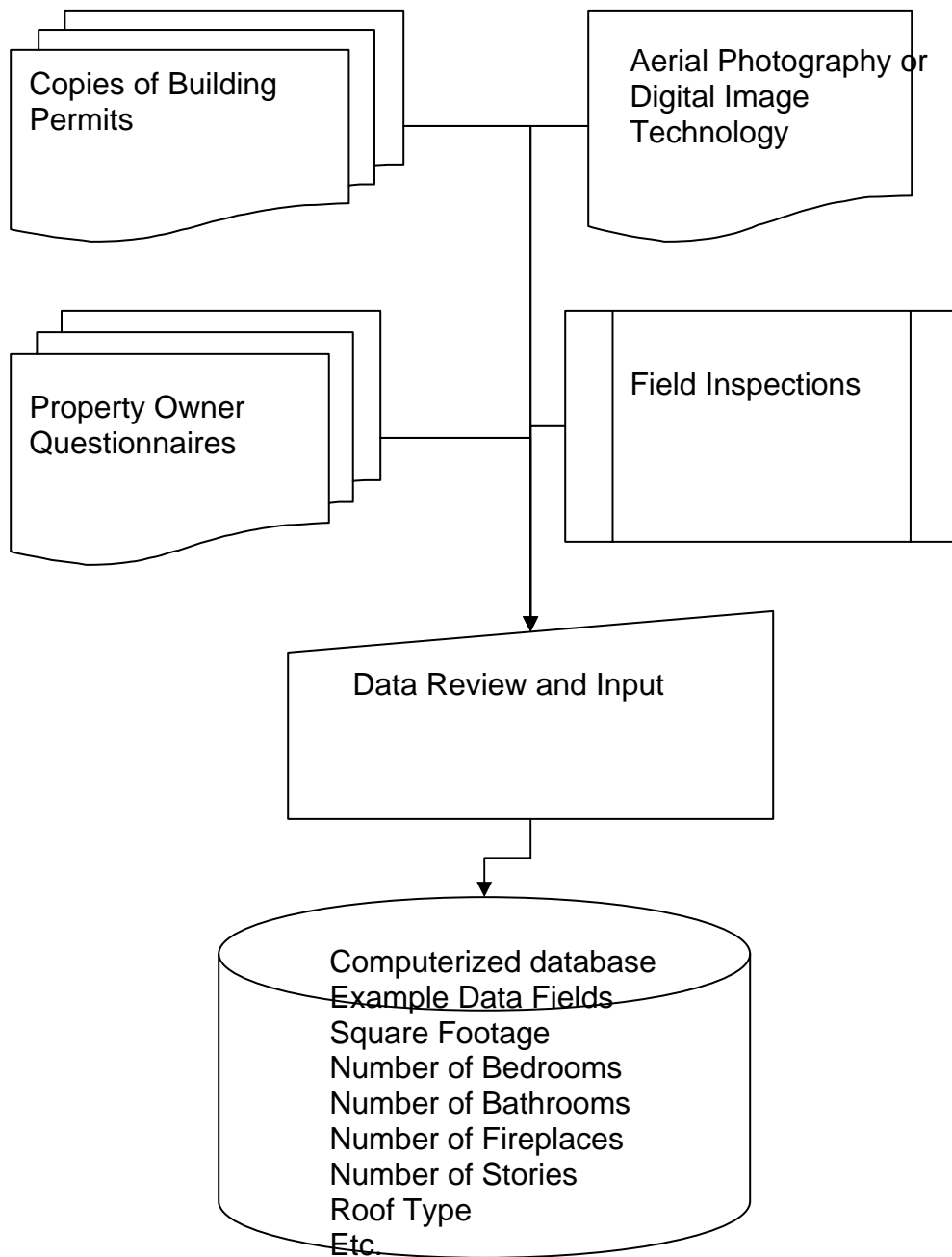


Subdivisions

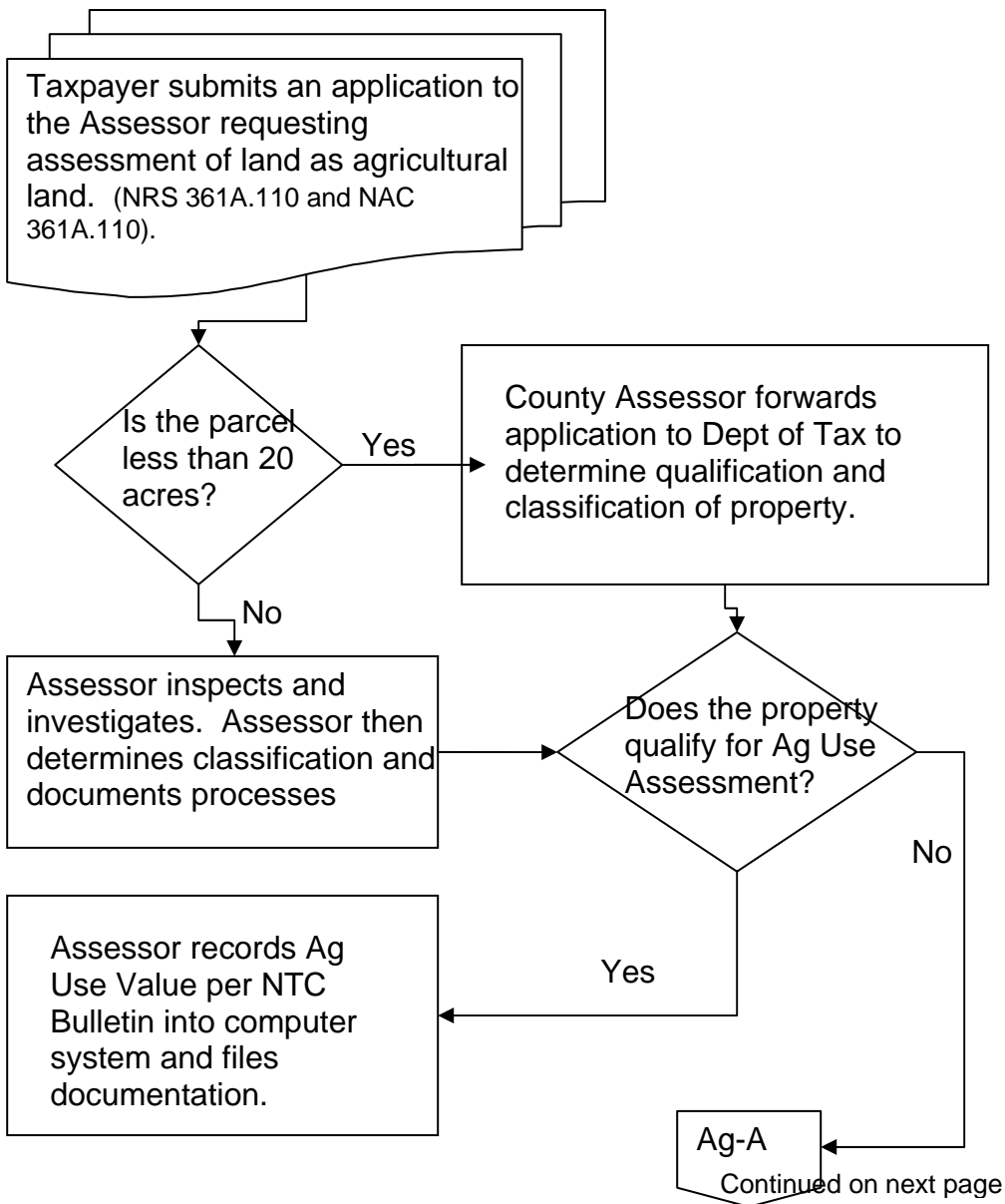


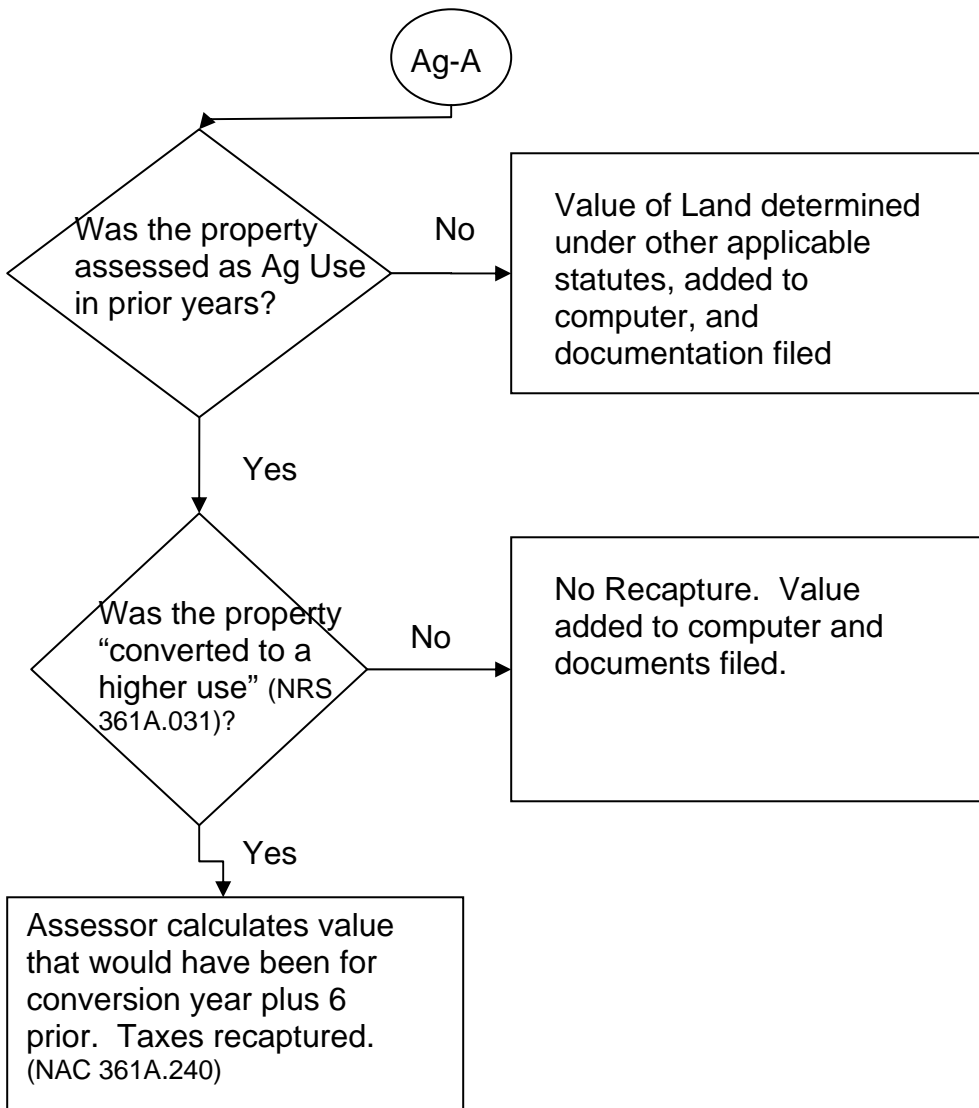


Property Characteristics

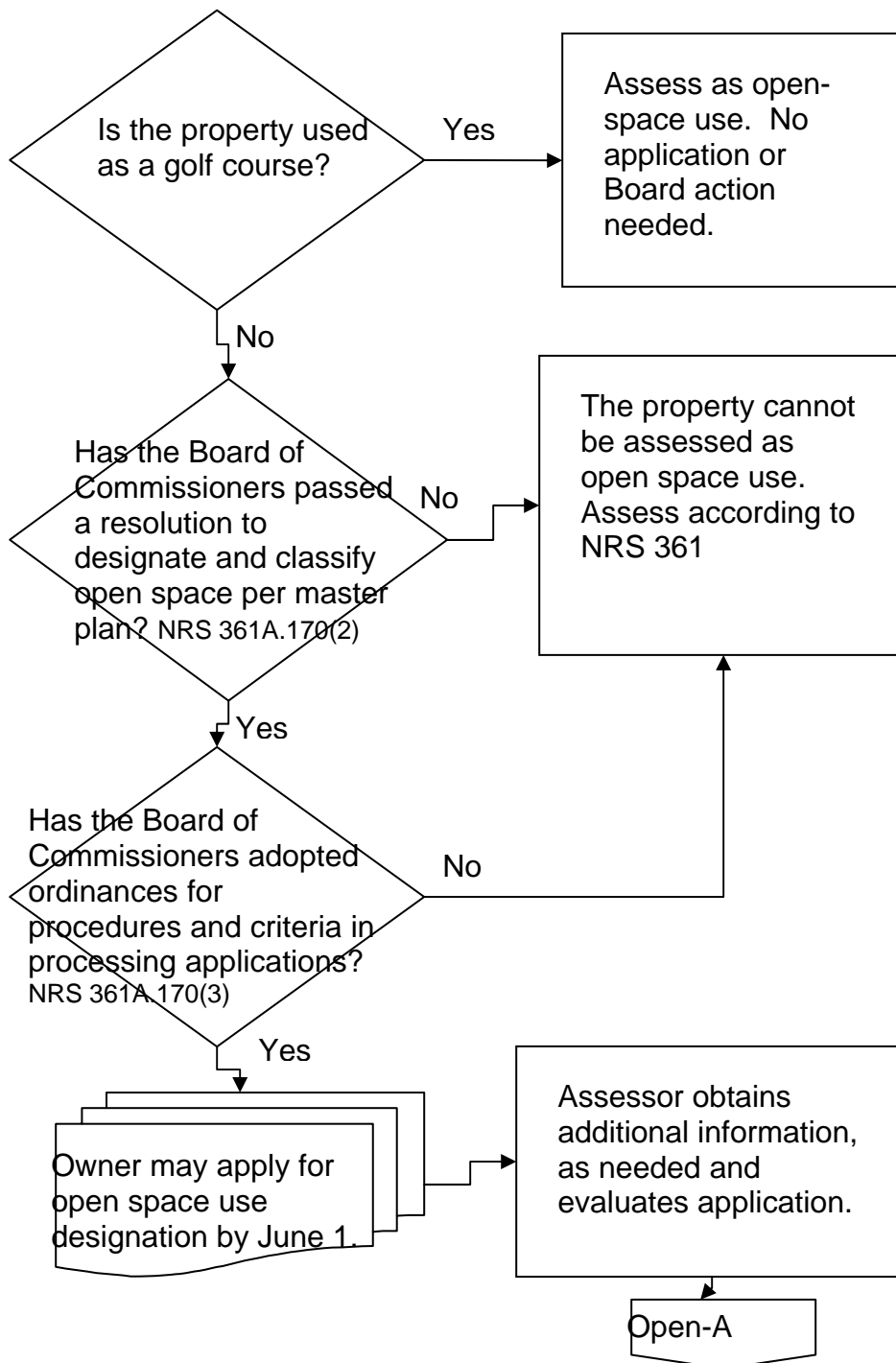


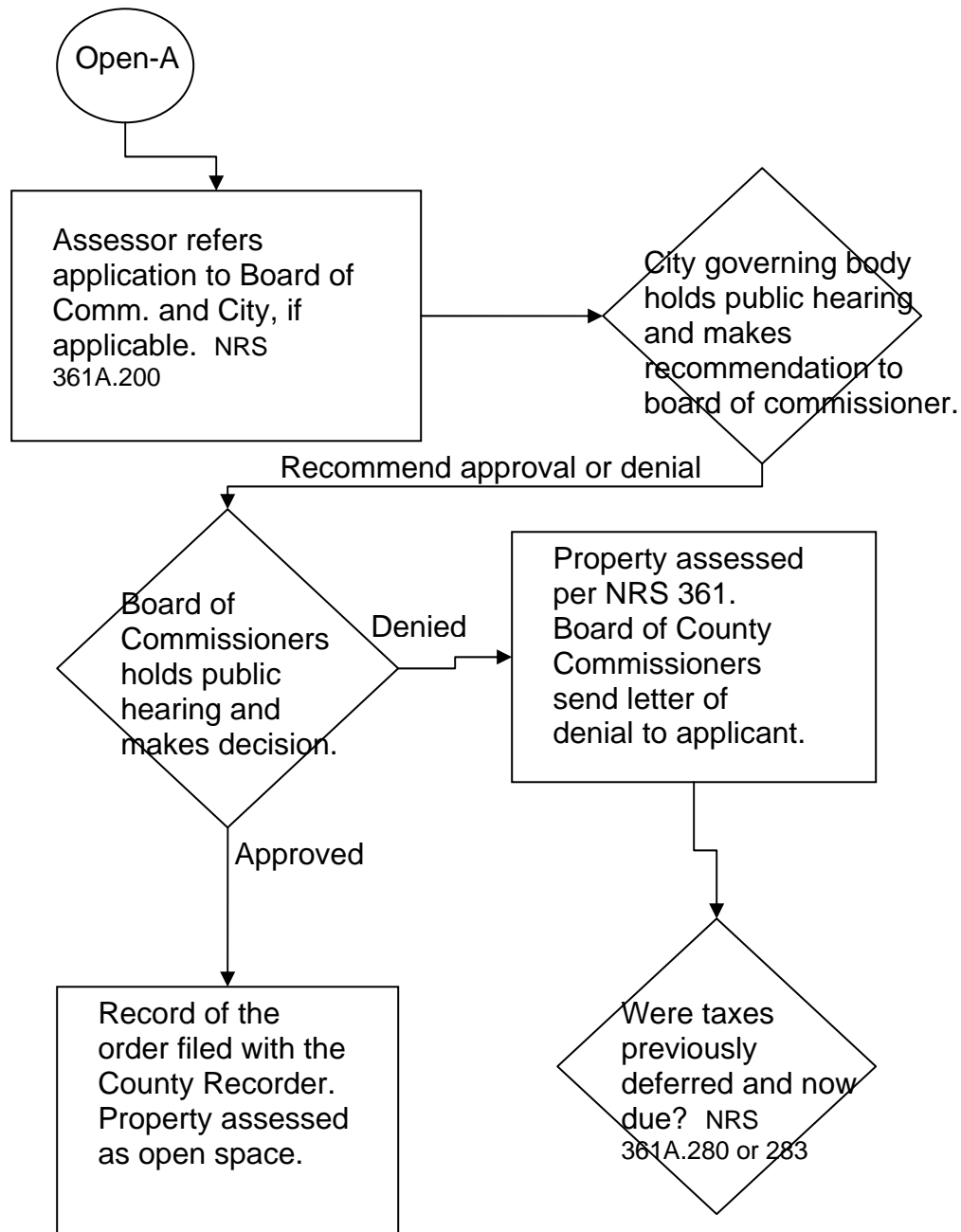
Agricultural





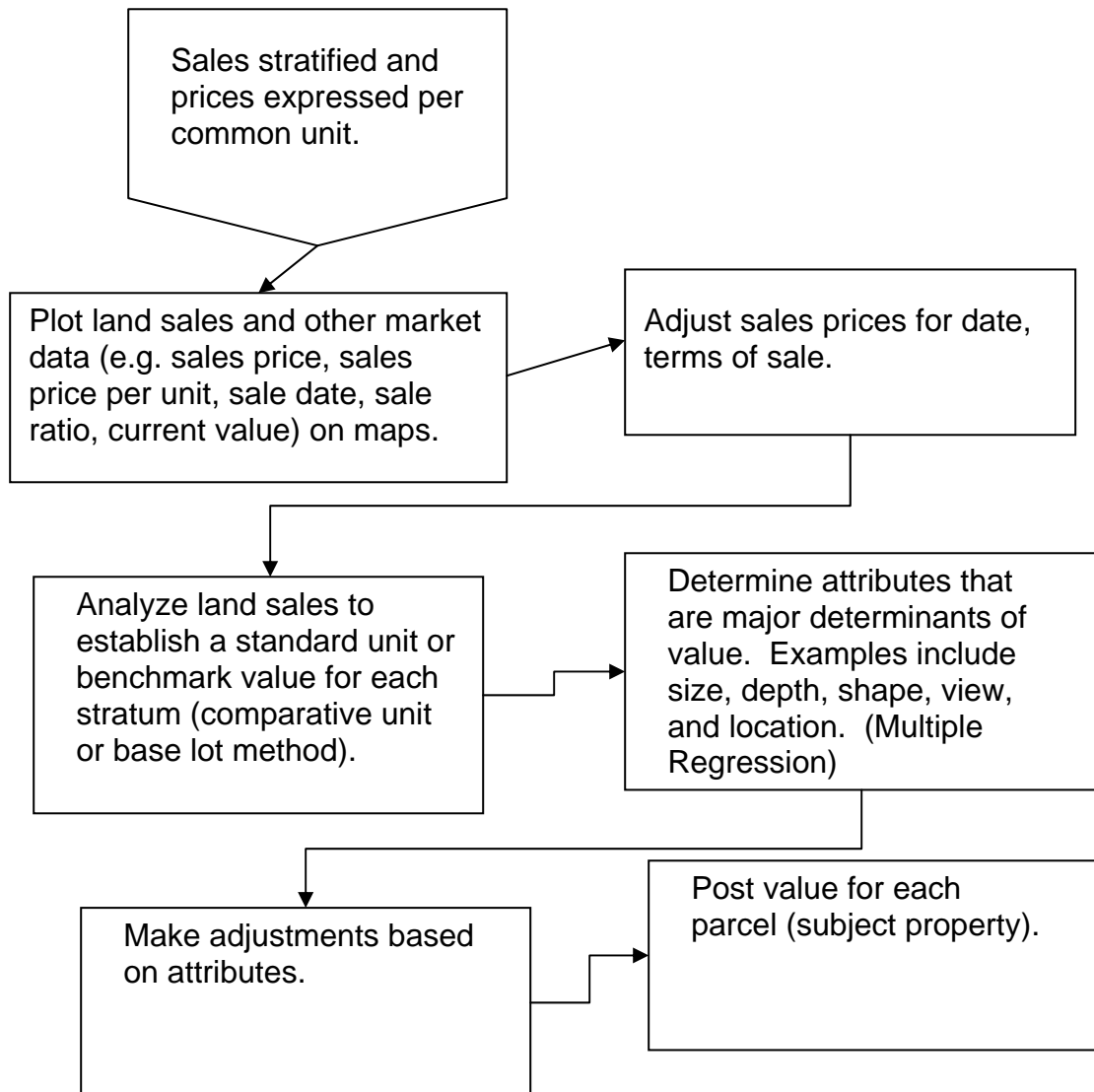
Open Space Determination
NRS 361A.170-250 and NAC 361A.310-440



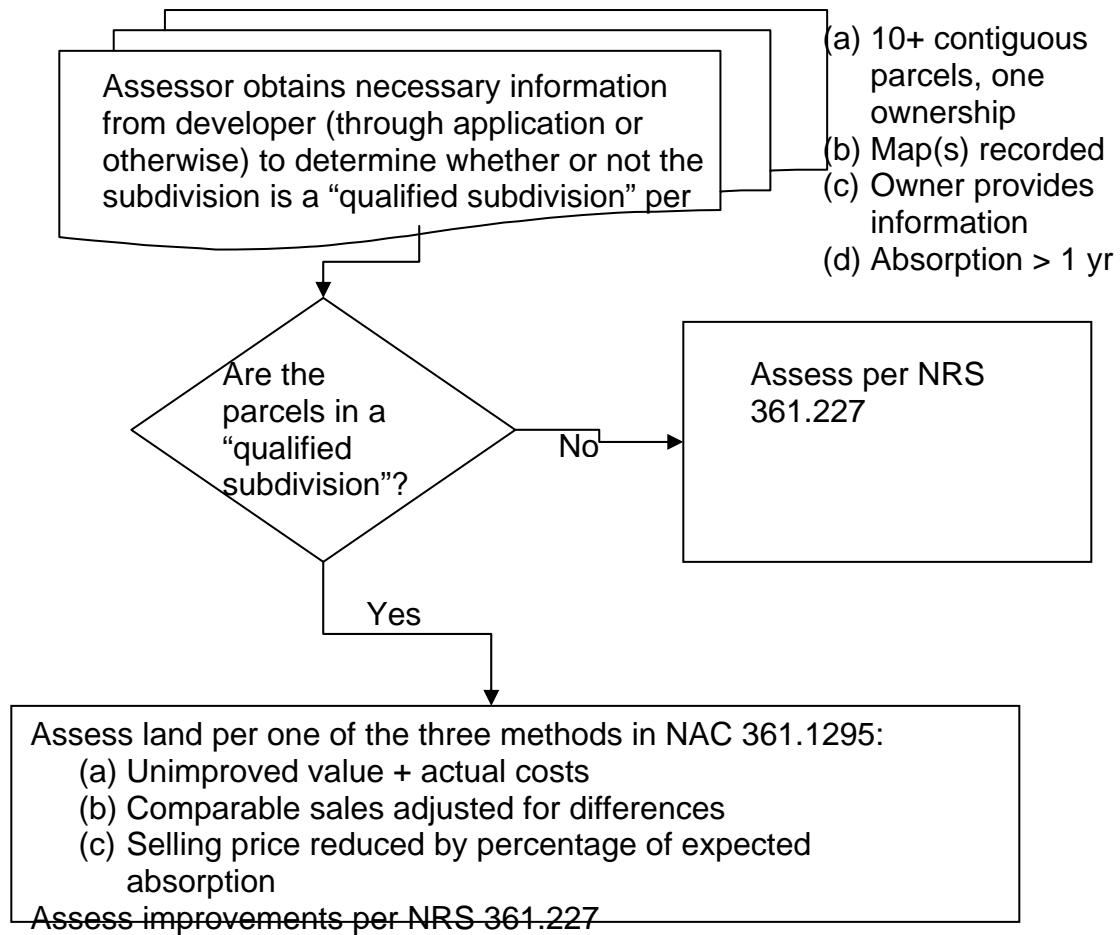


Analysis of Land Sales NAC 361.118

NAC 361.118(1)(a)(1-3) “the county assessor shall adjust the sales prices or unit values of comparable properties as necessary to eliminate differences between the comparable properties and the subject property that affect value.”

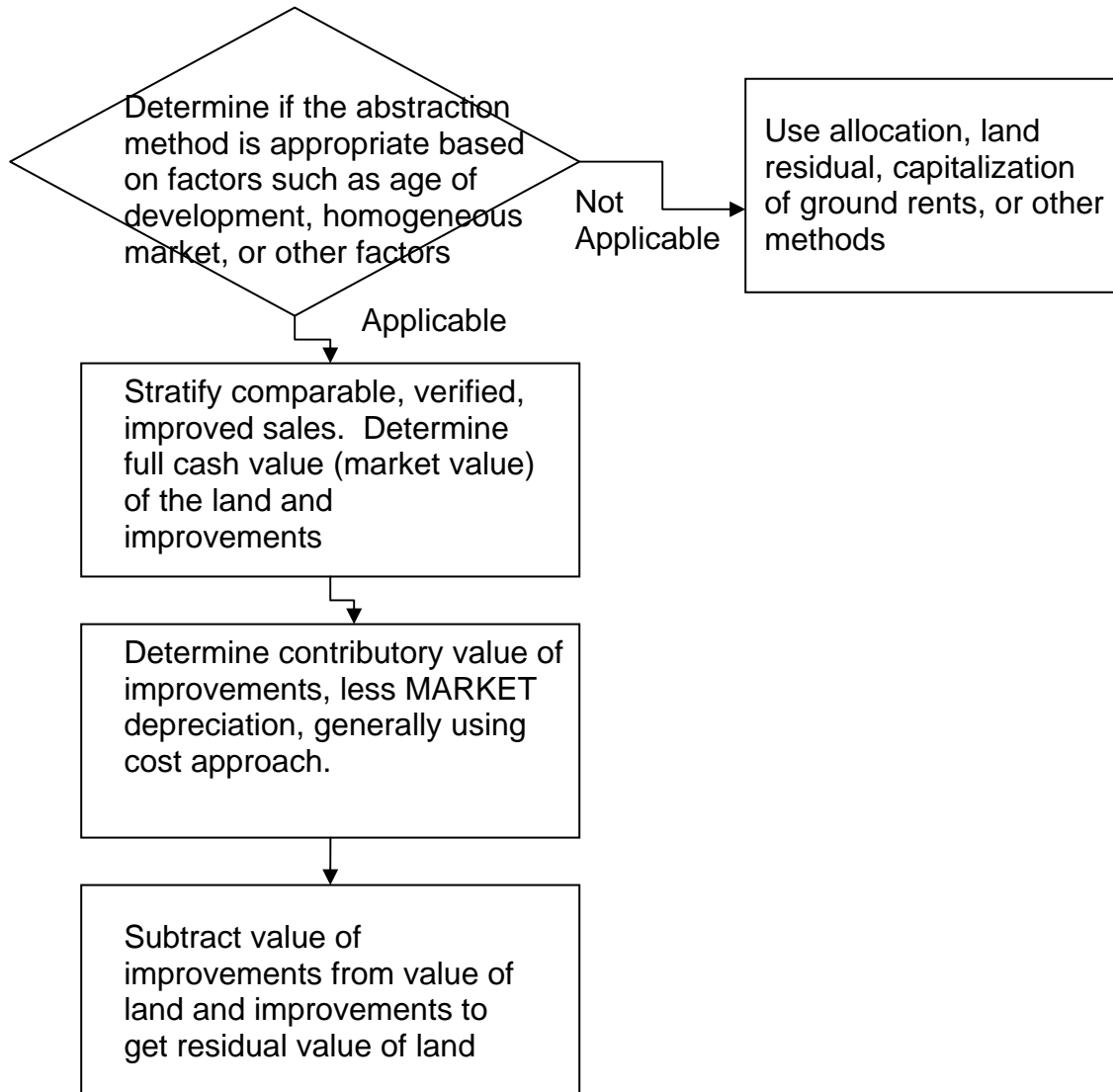


Subdivision Discount Determination NAC 361.129-1295



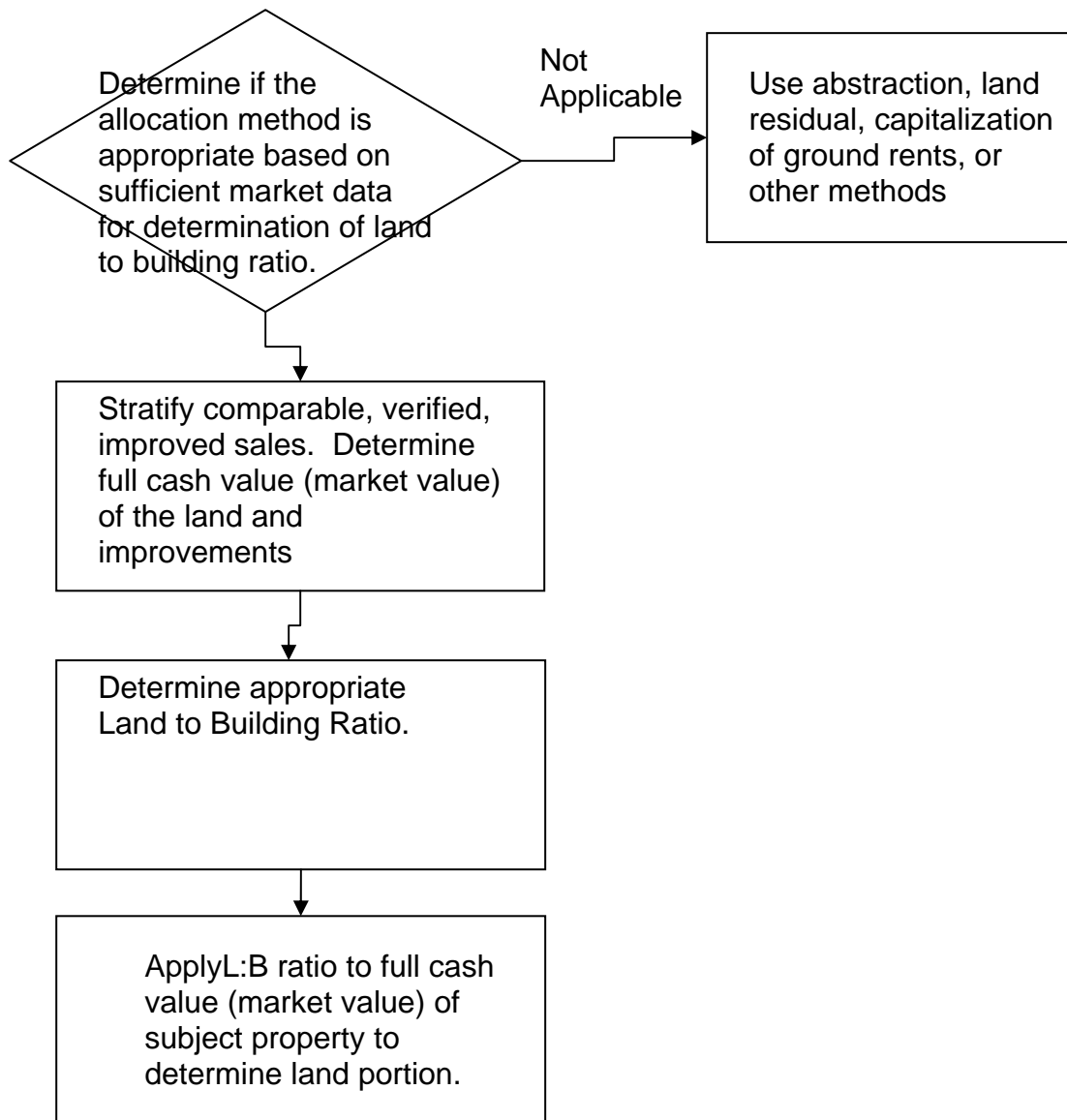
Abstraction

NAC 361.107 “Abstraction method” defined. “Abstraction method” means the method of estimating the value of land by subtracting from the sales prices of improved parcels the full contributory value of all items attributable to the value of the improvements, thus yielding estimates of the residual or remainder value of the land. Textbook: Method of land valuation in the absence of vacant land sales, whereby improvement values obtained from the cost model are subtracted from sales prices of improved parcels to yield residual land value estimates.



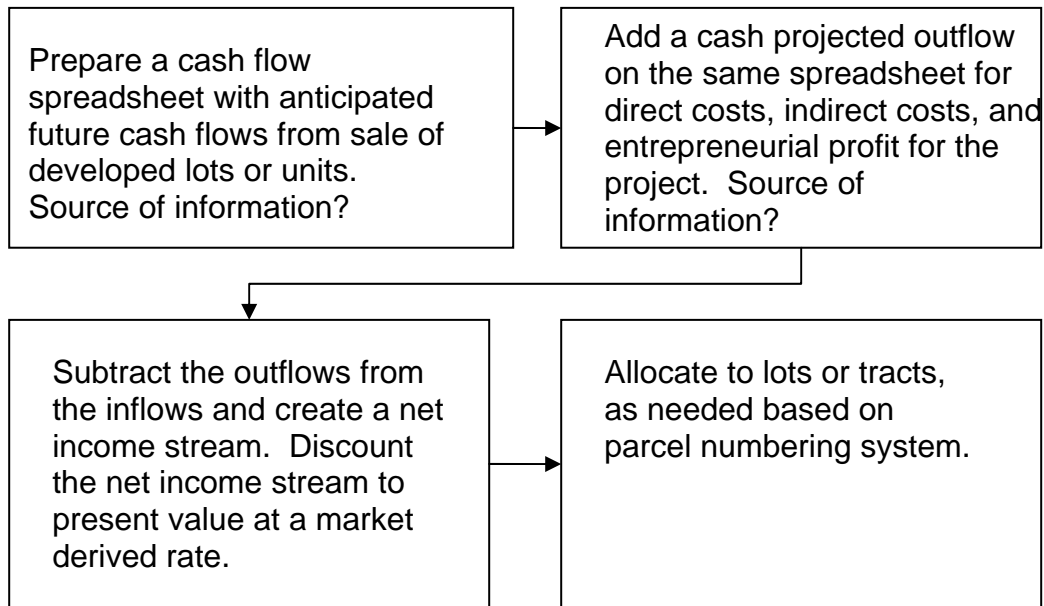
Allocation

NAC 361.109 "Allocation method" defined. "Allocation method" means a method used to value land, in the absence of sales of vacant land, by estimating, from sales of comparable improved properties, a typical ratio of land to total value and applying that ratio to the improved property being analyzed to determine the value that the land contributes to the total value of the property. Textbook: A method used to value land, in the absence of vacant land sales, by using a typical ratio of land to improvement value. Also called land ratio method.



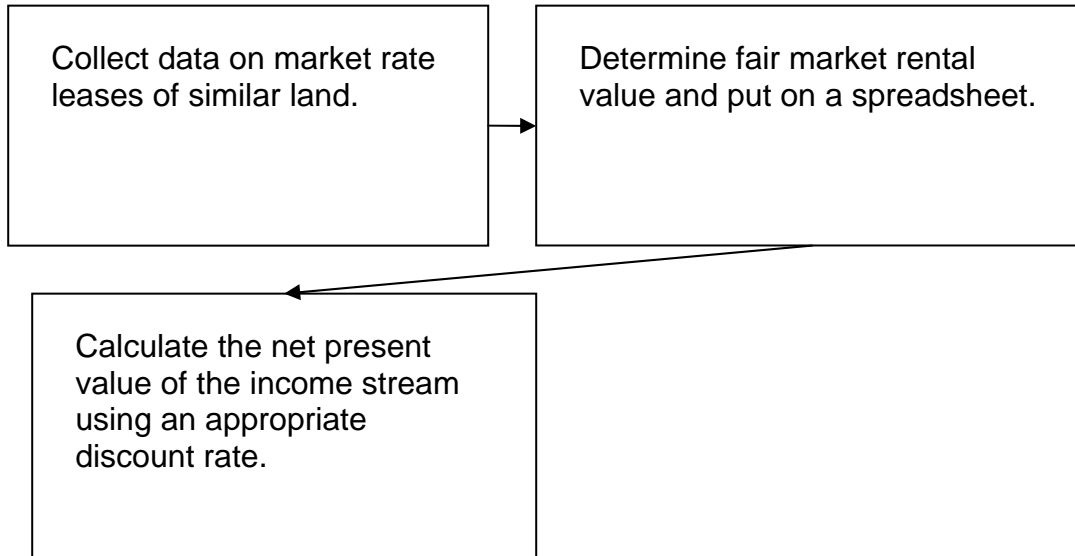
Cost of Development

NAC 361.1115 “Cost of development method” defined. “Cost of development method” means a method used to estimate the value of undeveloped land in which direct and indirect cost and entrepreneurial profit are deducted from an estimate of the probable proceeds to be obtained from selling the land as developed parcels and the resulting net income is discounted to a present value at a market-derived rate.



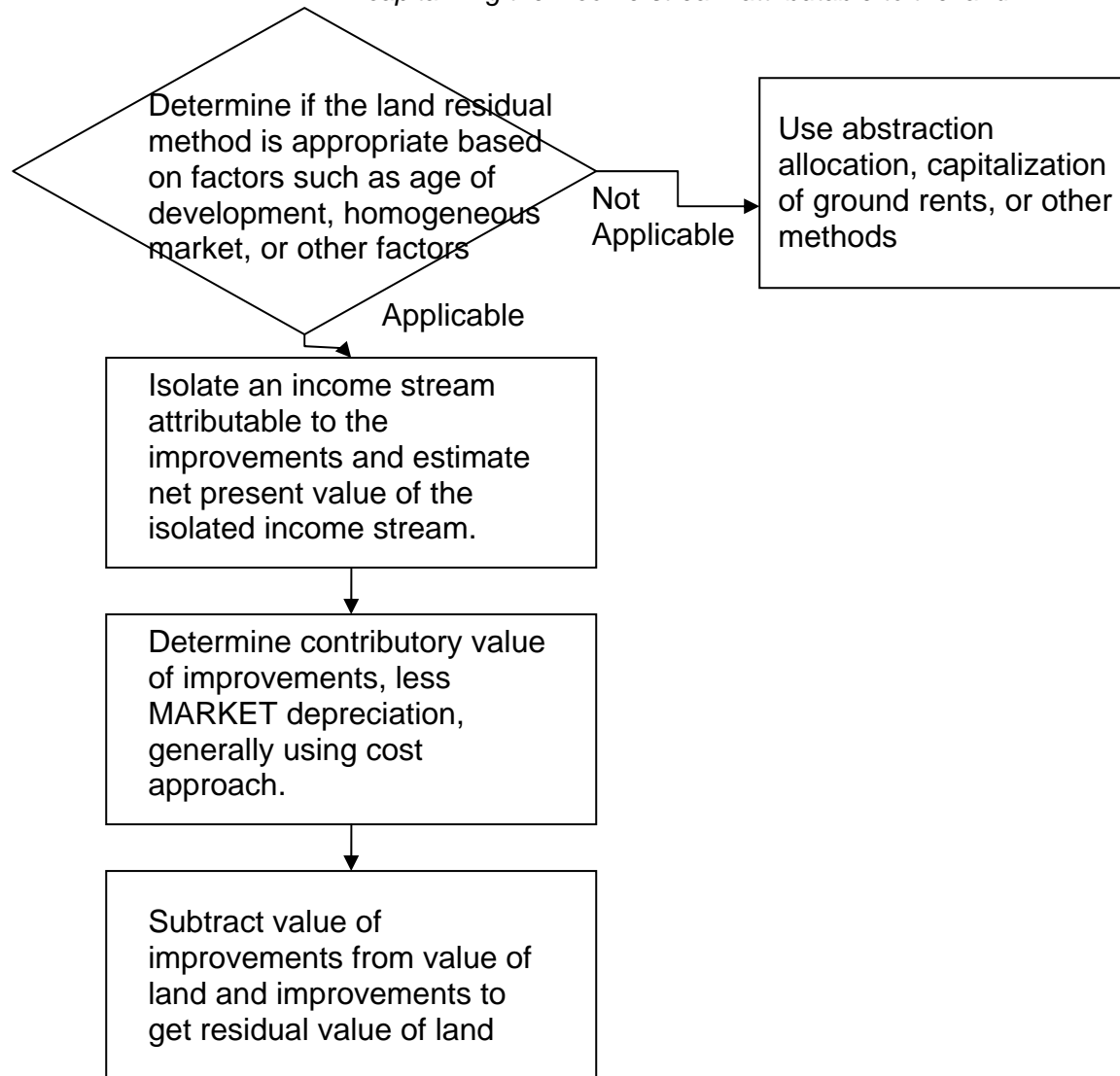
Capitalization of Ground Rents

NAC 361.111 "Capitalization of ground rents" defined. "Capitalization of ground rents" means the estimation of the value of land in the absence of comparable sales by capitalizing the revenue from market-rate leases of land. Textbook: A method of estimating land value in the absence of comparable sales; applicable where there is an income stream; for example, to farmland and commercial land leased on a net basis.

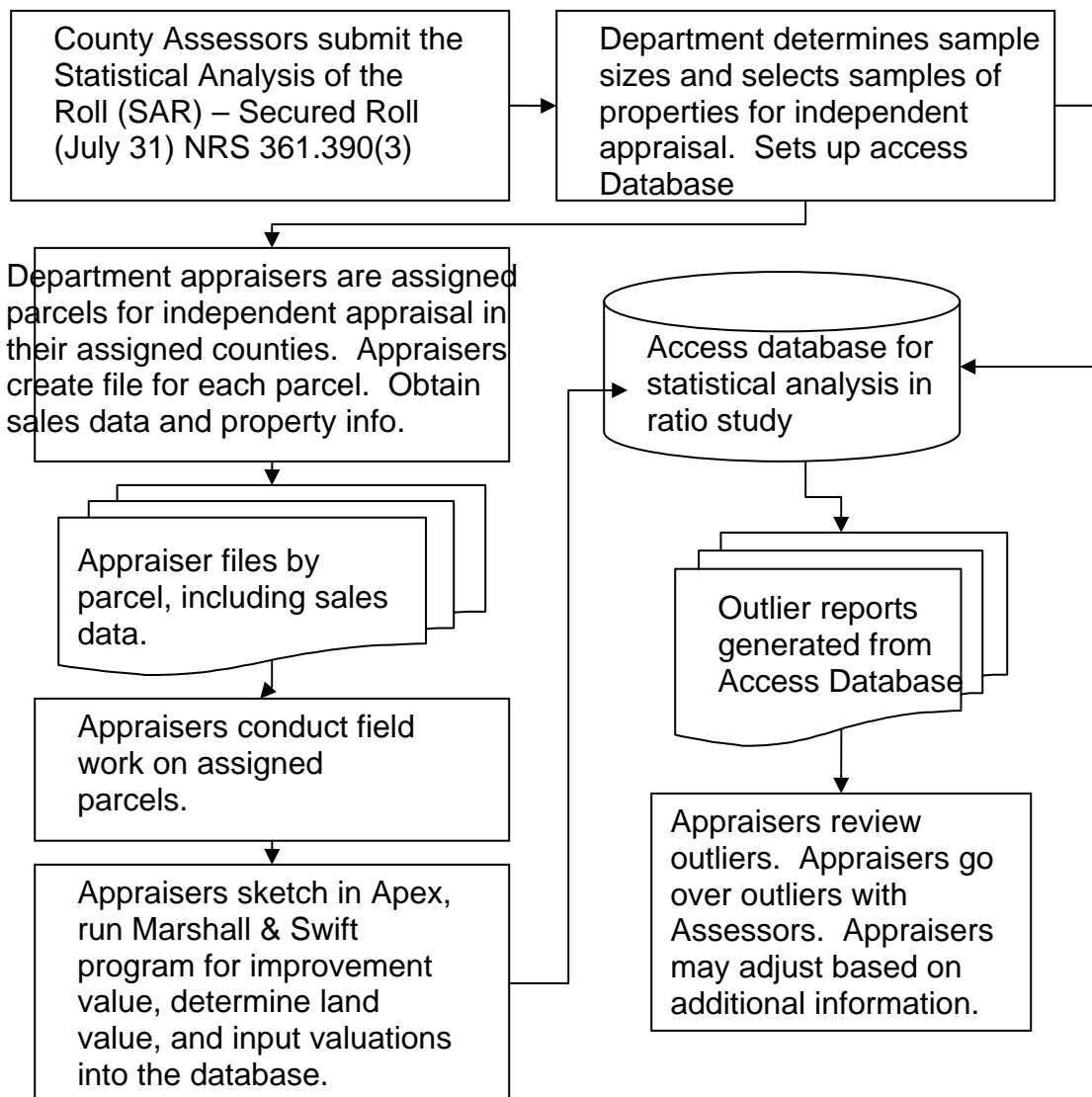


Land Residual Technique

NAC 361.115 “Land residual technique” defined. “Land residual technique” means a method used to estimate the value of land from a knowledge of normal net income, the discount rate, the remaining economic life of the property and the full contributory value of any improvements and nonrealty items. The method isolates a measurable income stream attributable to the improvements and then estimates the value of the land by capitalizing the income stream attributable to the land.

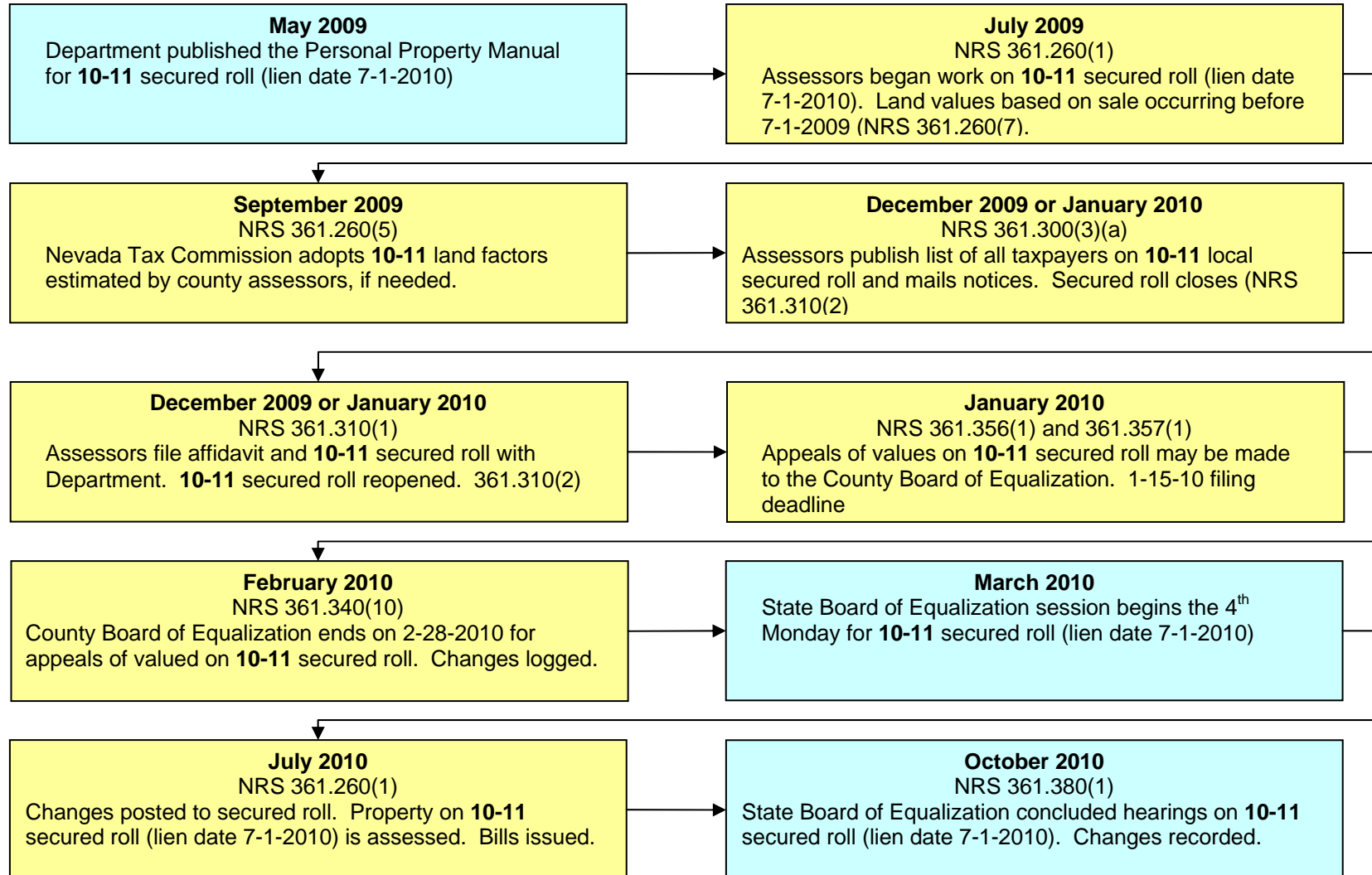


DOAS Ratio Study
NRS 361.333, NAC 361.580

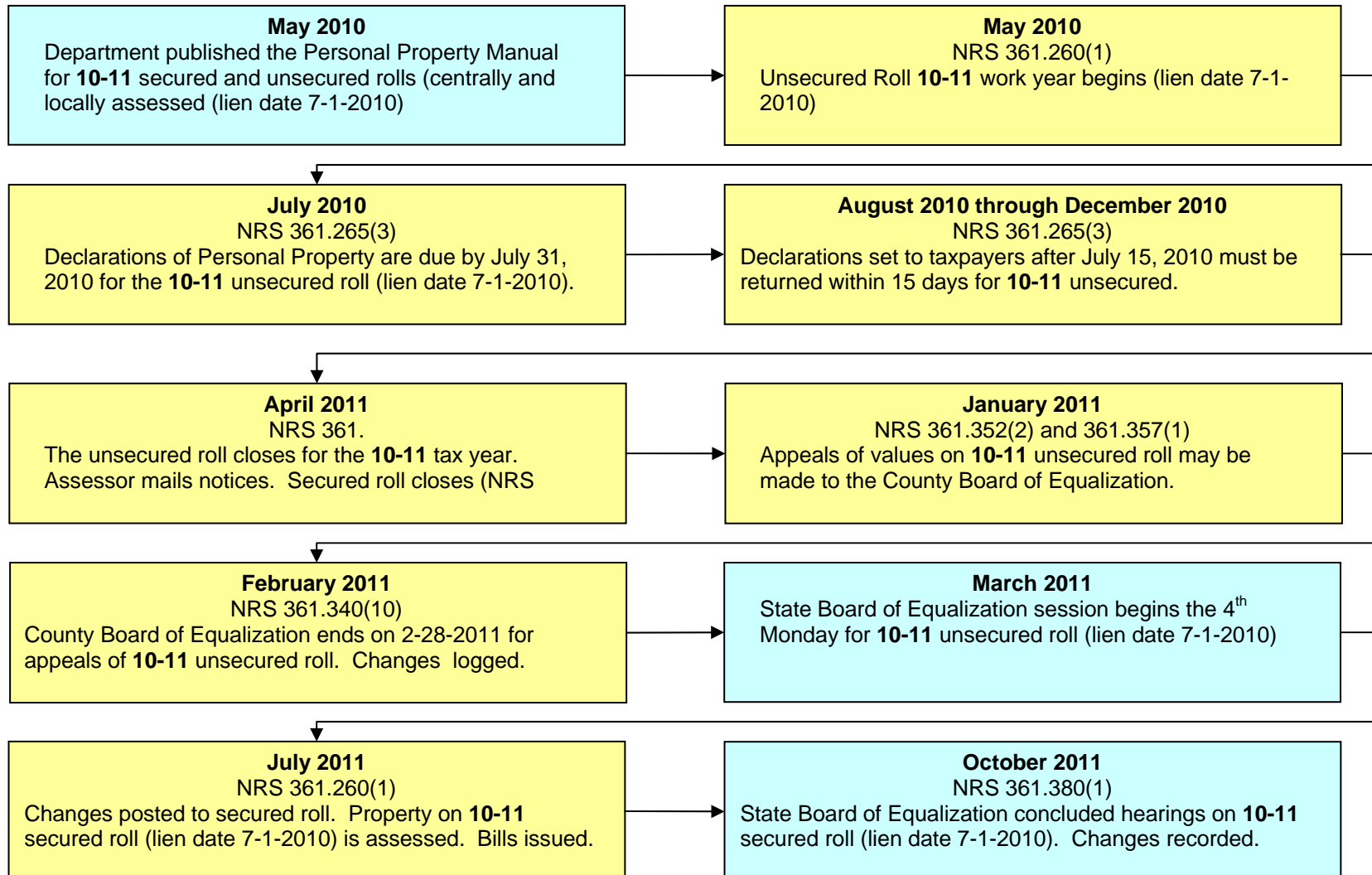


22.4 Appendix D – 10-11 Tax Year Timelines

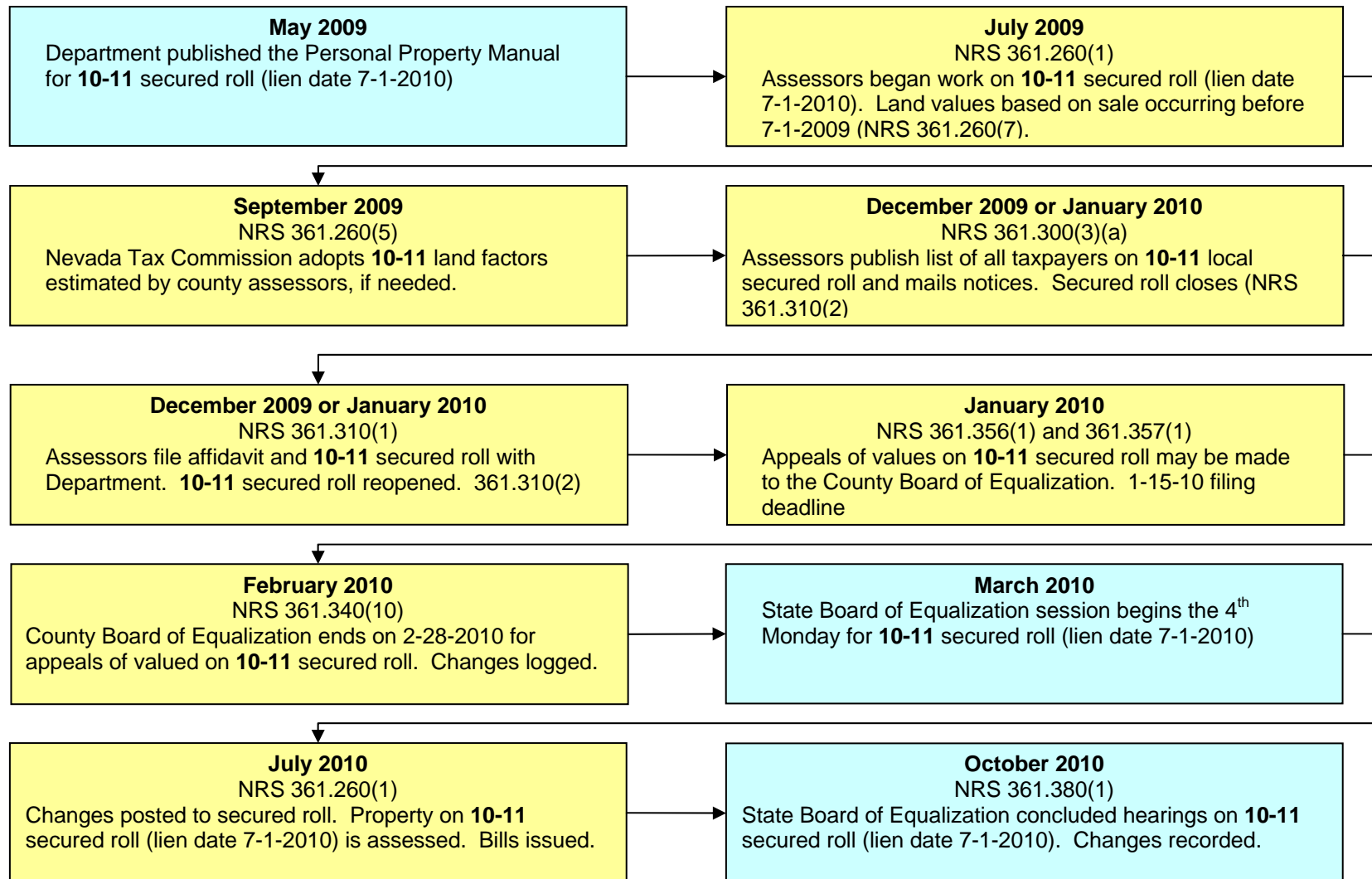
1. 2010-2011 Secured Roll – Locally Assessed



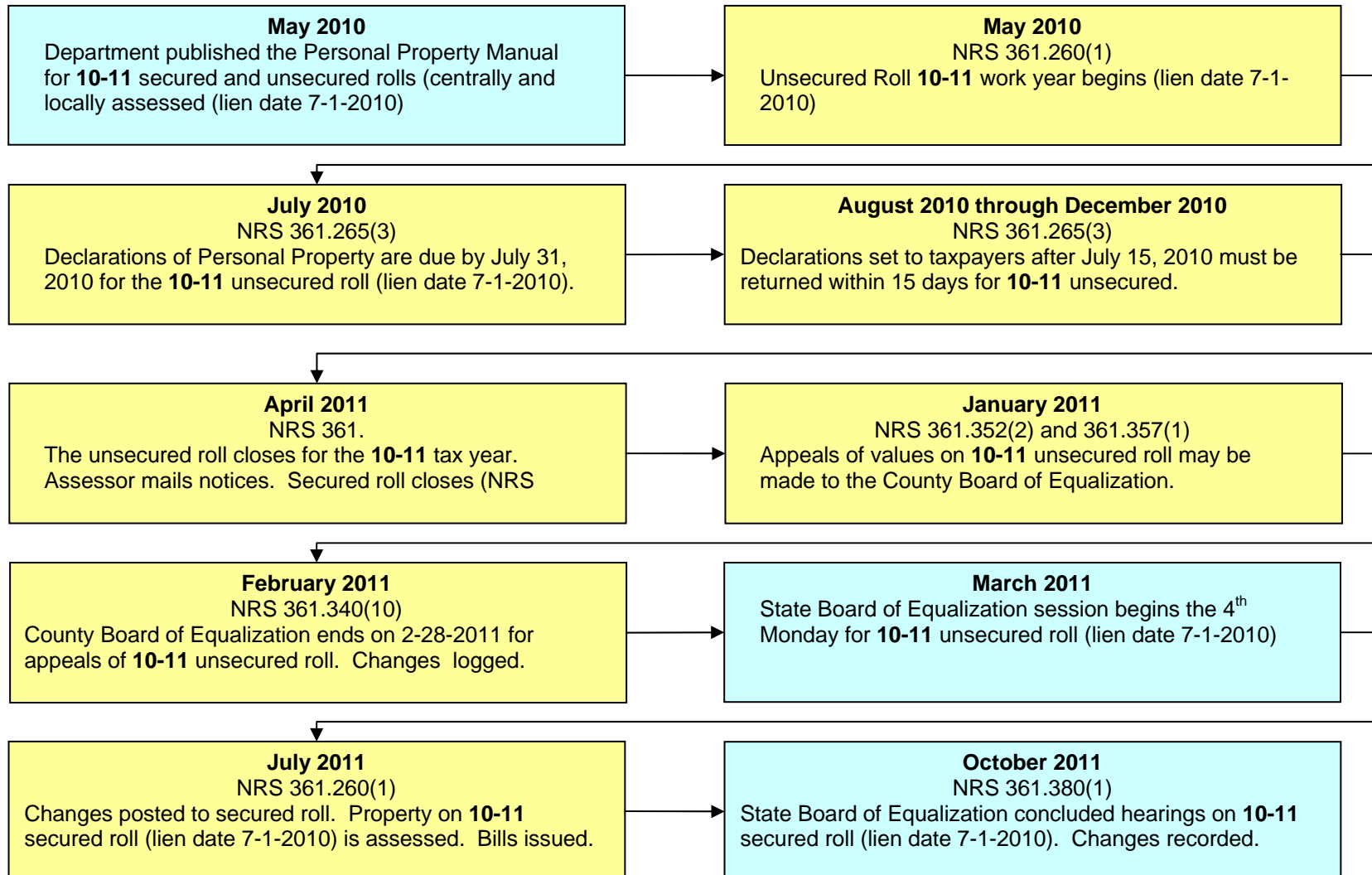
2. 2010-2011 Unsecured Roll – Locally Assessed



3. 2010-2011 Secured Roll – Centrally Assessed



4. 2010-2011 Unsecured Roll – Centrally Assessed



5. 2010-2011 Net Proceeds of Minerals Tax

