



NEVADA DEPARTMENT OF TAXATION
Division of Local Government Services

EXEMPT DISTRICTS

GUIDELINES AND REFERENCES

Exempt Districts

Department of Taxation
Division of Local Government Services
1550 E. College Parkway, Suite 115
Carson City, NV 89706
Phone 775.684.2100 • Fax 775.684.2020

Prepared by: Local Government Finance Section
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GRANTING EXEMPT STATUS TO SPECIAL DISTRICTS

This package is to be utilized by special districts requesting exempt status or conditional exempt status from certain requirements of the Local Government Budget and Finance Act (NRS 354.470-626, inclusive).

Please contact the Local Government Finance Section if you need additional information **and guidance**.

DEFINITIONS

1. **BUDGET** means a plan of financial operation embodying an estimate of proposed expenditures and expenses for a given period and the proposed means of financing them (NRS 354.492).
2. **BUDGET YEAR** means the fiscal year for which a budget is being prepared (NRS 354.496).
3. **CASH BASIS** means the system of accounting under which revenues are recorded only when received and expenditures or expenses recorded only when paid (NRS 354.475).
4. **EXPENDITURE** means:
 - A. If accounts are kept on the accrual basis or the modified accrual basis, the cost of goods delivered or services rendered, whether paid or unpaid, any provision for retirement of debt which is not reported as a liability of the fund from which the debt is retired, and any capital outlays.
 - B. If accounts are kept on the cash basis, only cash disbursements for the purposes listed in paragraph (A).
 - C. Encumbrances are not considered expenditures. (NRS 354.520)
5. **EXPENSE** means any charge incurred, whether paid or unpaid, for operation, maintenance or interest or any other charge which is presumed to provide benefit in the current fiscal period (NRS 354.523).
6. **FINAL BUDGET** means the budget that has been adopted by a local governing body and approved by the Department of Taxation for the ensuing fiscal year (NRS 354.524).
7. **FISCAL YEAR** means the 12-month period beginning on the 1st day of July and ending on the last day of June (NRS 354.526).
8. **GENERAL IMPROVEMENT DISTRICT** and **DISTRICT** alone each means any general improvement district organized or, in the case of organizational provisions, proposed to be organized, pursuant to NRS 318.

PROCEDURES

In November of each year, each Department of Taxation budget analyst will review the special districts assigned to him/her. Any district that was granted exemption in the previous year and/or has actual expenditures of less than \$300,000 reported in its annual statement of revenues, expenditures and changes in fund balance may qualify for exempt status. In addition, each budget analyst will review any special districts that have total budgeted expenditures slightly over \$300,000 for the current year. These districts could be candidates for a conditional exemption.

If the district appears to be qualified for either an exemption or a conditional exemption, the Department will notify the governing board of the district, in writing, that it qualifies.

The district must then complete the appropriate petition and resolution for exemption and submit it to the Department for review prior to the established deadline. Upon receipt, the Department of Taxation will review the petition and if all conditions have been met, issue a letter granting "exempt status."

Prior to making application for the first time, the district must have been in compliance with all filing requirements of the Local Government Budget and Finance Act (NRS 354.470 to 354.626, inclusive) for one full fiscal cycle.

**DOCUMENTATION REQUIRED BY THE DEPARTMENT
WHEN APPLYING FOR EXEMPT STATUS**

- _____ A. Certified copy of the Petition and Resolution for Exemption or Conditional Exemption.
- _____ B. A written statement from the governing body requesting approval of the entity's petition for exemption or conditional exemption.

Exempt status is only applicable for one fiscal year at a time. A new petition must be submitted to the Department of Taxation annually if the entity qualifies for exempt status.

DURING THE YEAR EXEMPT SPECIAL DISTRICTS ARE REQUIRED TO SUBMIT TO THE DEPARTMENT OF TAXATION:

- A. Proof of publication regarding the public hearing on the proposed budget (NRS 354.475).
- B. Annual report of indebtedness (NRS 350.013; NRS 354.6025; NAC 350.010). At least the first three pages of forms provided by the Department must be completed by every entity, including exempt districts.
- C. An updated debt management policy at such time as the entity contemplates the issuance of debt.
- D. Statement of revenues, expenditures and changes in fund balance and balance sheet, dated through the end of the fiscal year for government funds; or statement of revenues, expenses or changes in net assets and balance sheet, dated through the end of the fiscal year for enterprise funds (NAC 354.559).
- E. Annual fiscal report to be filed electronically (unless granted a specific exemption by the Committee on Local Government Finance).
- F. Quarterly Economic Survey Reports.

SAMPLE

PETITION AND RESOLUTION FOR EXEMPTION

Be it resolved by the Board of Trustees of the _____
_____ DISTRICT, _____ COUNTY, STATE OF
NEVADA, that;

Whereas, _____ DISTRICT is in current compliance with the Local Government Budget and Finance Act, NRS 354.470 to 354.626, inclusive; and

Whereas the total expenditures for said District for the fiscal years ending June 30, 20XX (**current FY**) and 20XX (**upcoming FY**) are not anticipated to exceed \$300,000 including debt service;

Therefore, be it resolved that the Board of Trustees of said District petitions the Nevada Department of Taxation for exemption from the following:

1. Filing a tentative budget for the 20XX-20XX fiscal year (**upcoming FY**).
2. Filing an independent audit report for the 200X-20XX fiscal year (**current FY**).
3. Publishing requirements of the Local Government Budget and Finance Act, other than the annual publication of a notice of budget adoption and filing.
4. Maintaining accounting records on an accrual or modified accrual basis.

Be it further resolved that if said District is granted the above-referenced exemptions from the budgetary requirements, it will comply with the following:

- a. Filing of an annual budget on or before April 15, 20XX (**current FY**).
- b. Publication of a notice of budget adoption.
- c. Filing of fiscal reports, Statement of Revenues, Expenditures and Changes in Fund Balance and a Balance Sheet pursuant to NAC 354.010.

Passes and adopts this _____ day of _____, 20XX by the following vote of the Board of Trustees.

Ayes: _____

Nays: _____

Absent: _____

Chairman: _____

(Signed)

**SAMPLE
(Conditional Exemption)**

PETITION AND RESOLUTION FOR CONDITIONAL EXEMPTION

Be it resolved by the Board of Trustees of the _____
_____ DISTRICT, _____ COUNTY, STATE OF
NEVADA, that;

Whereas, _____ DISTRICT is in current compliance with the Local Government Budget and Finance Act, NRS 354.470 to 354.626, inclusive; and

Whereas the total expenditures for said District for the fiscal year ending June 30, 20XX (**current FY**) were budgeted at \$300,000 or more;

Whereas the total expenditures for said District for the fiscal year ending June 30, 20XX (**current FY**) are now anticipated not to exceed \$300,000 including debt service;

Therefore, be it resolved that the Board of Trustees of said District petitions the Nevada Department of Taxation for a conditional exemption from filing an independent audit report for the 20XX-20XX fiscal year (**current FY**).

Be it further resolved that if said District is granted the above-referenced exemption, it will comply with the following:

- a. Filing of an annual budget on or before April 15, 20XX (**current FY**).
- b. Publication of a notice of budget adoption.
- c. Filing of fiscal reports, Statement of Revenues, Expenditures and Changes in Fund Balance and a Balance Sheet pursuant to NAC 354.010.

Passes and adopted this _____ day of _____, 20XX by the following vote of the Board of Trustees.

Ayes: _____

Nays: _____

Absent: _____

Chairman: _____

(Signed)

STATUTES AND REGULATIONS

NRS 354.475 Exemption of certain special districts from certain requirements of Local Government Budget and Finance Act; conditional exemption from requirement of providing annual audit; request for audit of exempt special district by board of county commissioners; regulations.

1. All special districts subject to the provisions of the Local Government Budget and Finance Act with annual total expenditures of less than \$300,000 may petition the Department of Taxation for exemption from the requirements of the Local Government Budget and Finance Act for the filing of certain budget documents and audit reports. Such districts may further petition to use a cash basis of accounting.

2. A special district subject to the provisions of the Local Government Budget and Finance Act with budgeted annual total expenditures of \$300,000 or more in a fiscal year that reasonably anticipates its actual annual total expenditures for that fiscal year will be less than \$300,000 may petition the Department of Taxation for a conditional exemption from the requirement of providing for an annual audit pursuant to [NRS 354.624](#) for that fiscal year. If the actual annual total expenditures of the special district are \$300,000 or more, the special district shall provide for an annual audit for that fiscal year.

3. A petition filed with the Department of Taxation:

(a) Pursuant to subsection 1 must be received by the Department of Taxation on or before March 1 to be effective for the succeeding fiscal year; or

(b) Pursuant to subsection 2 must be received by the Department of Taxation on or before March 1 to be effective for the current fiscal year.

4. A board of county commissioners may request the Department of Taxation to audit the financial records of a special district that is exempt from the requirement of providing for an annual audit pursuant to this section.

5. If a petition filed by a special district pursuant to subsection 1 is granted by the Department of Taxation:

(a) The minimum required of the special district is the filing with the Department of Taxation of an annual budget on or before April 15 of each year and the filing of fiscal reports in accordance with [NRS 354.6015](#); and

(b) The special district is exempt from all publication requirements of the Local Government Budget and Finance Act, except that the Department of Taxation by regulation shall require an annual publication of a notice of budget adoption and filing.

6. The Committee on Local Government Finance shall adopt regulations pursuant to [NRS 354.594](#) which are necessary to carry out the purposes of this section.

7. The revenue recorded in accounts that are kept on a cash basis must consist of cash items.

8. As used in this section, "cash basis" means the system of accounting under which revenues are recorded only when received and expenditures or expenses are recorded only when paid.

(Added to NRS by [1973, 440](#); A [1975, 1684](#); [1981, 1759](#); [1983, 253](#); [1989, 321](#); [1991, 646](#); [2001, 1421](#), [1795](#), [2318](#); [2003, 78](#), [83](#), [801](#); [2017, 188](#))

EXEMPTION OF SPECIAL DISTRICTS FROM CERTAIN REQUIREMENTS

NAC 354.010 Eligible districts; authorized exemptions; petition for exemption. ([NRS 354.107](#), [354.475](#), [354.594](#))

1. Any special district with annual total expenditures of less than \$200,000 during a current fiscal year and annual total expenditures of less than \$200,000 budgeted for the succeeding fiscal year may petition the department for exemption from all or any one of the following:

- (a) Filing of a tentative budget.
- (b) Filing of independent audit reports.
- (c) Publishing requirements of the Local Government Budget and Finance Act, [NRS 354.470](#) to [354.626](#), inclusive, other than the annual publication of a notice of budget adoption and filing.
- (d) Maintaining accounting records on an accrual or modified accrual basis.

2. The petition must be in the form of an ordinance or resolution adopted by the governing body of the district.

3. No district will be granted an exemption if it is:

- (a) In noncompliance with any law or regulation at the time the petition is made; or
- (b) In default in payments due for the redemption of any bond or for any other outstanding indebtedness.

Tax Comm'n, Local Gov't Reg. No. 14 § 1, eff. 9-7-73; A 2-7-76; No. 14 § 4, eff. 9-7-73]—(NAC A 1-10-84; 1-16-92; A by Com. on Local Gov't Finance by R201-01, 4-5-2002)

NAC 354.020 Action on petition of district. ([NRS 354.107](#), [354.475](#), [354.594](#))

1. The department has final authority to grant all or part of the petition of each special district. The executive director may act on behalf of the department in granting or denying the petition of any special district filed pursuant to [NAC 354.010](#) to [354.040](#), inclusive.

2. The department's determination must be made and the special district must be notified of that determination not later than 30 days after the special district files the petition with the department.

[Tax Comm'n, Local Gov't Reg. No. 14 §§ 3 & 6, eff. 9-7-73; A 2-7-76]—(A by Com. on Local Gov't Finance by R201-01, 4-5-2002)

NAC 354.030 Petition to reconsider audit exemption. ([NRS 354.107](#), [354.475](#), [354.594](#))

1. A board of county commissioners may petition the department to reconsider an audit exemption on exempt district.

2. The granting of an exemption does not preclude the department from ordering that a subsequent audit cover exempt fiscal periods.

[Tax Comm'n, Local Gov't Reg. No. 14 § 7, eff. 9-7-73; A 2-7-76]

NAC 354.040 Information to be filed by exempt district. ([NRS 354.107](#), [354.475](#), [354.594](#))

In addition to the filings required by [NRS 354.475](#), a district which has been granted an exemption shall file a:

1. Statement of revenues, expenditures and changes in fund balance.
2. Balance sheet.

[Tax Comm'n, Local Gov't Reg. No. 14 § 2, eff. 9-7-73]—(NAC A 1-10-84; 5-16-86)

NAC 354.050 Public hearing by exempt district concerning its budget. ([NRS 354.107](#), [354.475](#), [354.594](#))

1. A special district that has been exempted from the requirement of filing its tentative budget and audit reports pursuant to the provisions of [NRS 354.475](#) and [NAC 354.010](#) to [354.040](#), inclusive, shall hold a public hearing concerning its final budget before submitting the final budget to the department.

2. The officer charged by law with the preparation of the district's budget or the governing body of the district shall cause a notice of the public hearing to be published in a newspaper of general circulation within the area of the district. The publication must occur not more than 14 nor less than 7 days before the date set for the hearing. An alternative method of publication may be used with the prior approval of the department. The notice must contain the following information:

- (a) The time and place of the public hearing;
- (b) The location at which and the times during which the budget document is available for public inspection; and
- (c) That the budget document has been prepared with the detail and in the form prescribed by the department.

(Added to NAC by Tax Comm'n, eff. 10-26-84; A by Com. on Local Gov't Finance by R201-01, 4-5-2002)