

Minutes of the Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
August 27, 9:00 a.m.

The meeting was held at the Nevada State Legislative Building, 401 South Carson Street, Room 2134, Carson City, Nevada with videoconference to Grant Sawyer Office Building, 555 East Washington Ave, Room 4412, Las Vegas, Nevada. This meeting was also part of a teleconference.

COMMITTEE MEMBERS PRESENT:

Marvin Leavitt, Chairman
Marty Johnson
Beth Kohn-Cole
Mary Walker
Jeff Cronk
Tom Ciesynski
Gina Rackley
Paul Johnson
Jessica Colvin
Jim McIntosh

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Savannah Rucker	Nye County
John Koenig	Nye County
Marla McDade Williams	Strategies 360
Jason Goudie	Clark County School District
Jennifer Tucker	Griffin Co.
Brenda Pearson	CCEA
John Prudhont	Nye County
Cindy Creighton	NV Taxpayers Assoc
Dan McArthur	Self

COUNSEL TO COMMITTEE:

Peter Keegan

**DEPT OF TAXATION STAFF
PRESENT:**

Melanie Young
Jeff Mitchell
Kelly Langley
Evelyn Barragan
Kellie Grahmann
Christina Griffith
Denesa Johnston
Hector Sepulveda

ITEM 1. ROLL CALL AND OPENING REMARKS

Member Christine Vuletich was absent. All other members were present.

ITEM 2. PUBLIC COMMENT

There was none.

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

No changes were made to the Agenda.

ITEM 4. FINANCIAL CONDITION REPORTS BY THE DEPARTMENT; CONSIDERATION AND POSSIBLE ADOPTION OF RECOMMENDATIONS AND ORDERS

(a) For Possible Action: Discussion and Consideration of Clark County School District Financial Condition

1. Report by Clark County and the Department on the Following Matters:

- a) Discussion & Report Regarding the School District's Projected Cash Flow Reports for FY 19/20
- b) Discussion regarding Additional Reports to be Provided to the Committee to Ensure Full Understanding of Current and Projected Financial Condition

- c) Report by Clark County School District Regarding Update on Employee Negotiations with Each Group and what is included in The Final Budget regarding Salary & Benefit Increases vs. Current Projections of Expenditures**
- d) Update on Recent Legal Proceedings**

Member Kohn Cole recused herself regarding this item.

Kelly Langley, with the Department of Taxation, discussed the material provided. She clarified changes brought to her attention regarding Clark County School District's (CCSD) budget. She introduced Jason Goudie, with CCSD.

Mr. Goudie noted the \$52 million was accounted for in their final budget and the \$63 million is their proposed amended final budget. He stressed that they do not have agreements with their bargaining units. They submitted offers and will follow up on them. Additional money through SB551 is coming but there are concerns with potential lawsuits and outcomes at the State level. They are still reviewing AB309 money and believe they will have approximately \$12-12.5 million available for general operations based on the block grant provided by the state. Their ending fund balance (EFB) is projected to increase slightly. He noted they are meeting the 2% and working to get back to 4%. They have a strategic plan in place. The most recent update on their current financial situation is that they are still projected to do slightly better.

They are in the process of closing the books for CCSD. Mr. Goudie explained changes made, positions that have been frozen, and central service cuts made. He added that CCSD's cash flow has improved. They are committed to continuing that path. He requested of the Committee anything they can do to support the importance of maintaining EFB and increasing EFB, to the legislature, Governor's office, and the public, would be appreciated.

Chairman Leavitt thinks the Committee has made their concern on CCSD's low EFB clear. He mentioned it is hard for the Committee to get a handle on where CCSD's finances are while they are in negotiations. He asked Mr. Goudie for the audit status and if he expects it to be completed by November 30 per statute. Mr. Goudie replied that they are on track and he thinks their audits will be there in a week or less. Chairman Leavitt would like a resolution of the employee contracts, an amended final budget to discuss their financial condition, and cash projections for the rest of the year. He understands anything now is tentative.

Member Walker noted she read the previous minutes and conferred with some of the members to make sure she understood they have two budgets and asked if that was correct. Mr. Goudie replied they only have one, and internal summaries. He explained there is no budget to actual, costs are built into this high level. The budget to actual analysis will not take place until they get the numbers from their union group agreements. Member Walker asked if the State approved, Board approved, legal budget was in their financial system. Mr. Goudie stated they are working on their final budget which includes everything to that point, they have not adjusted the revenue or expenditure side; those will be made in the next round.

Member McIntosh asked him to clarify the Final to Amended Final Budget comparison, and if those numbers are attributed to the 2% roll up and 3% cost of living adjustment. Mr. Goudie confirmed, adding it also includes the 4% increase in healthcare contribution for all employees. Member McIntosh asked if they have preliminary enrollment numbers. Mr. Goudie replied that the projected is lower than last year, they will adjust as necessary after they get to the enrollment date.

Member Paul Johnson commented on Mr. Goudie's request for assistance to protect EFB. The proposed new formula will be effective during the next biennium, an exempt fund reserve of 16.67%, but it does not say what type of fund balance.

Ms. Langley asked the Committee if they would like to see any other reports on a regular basis. Member Walker asked if they receive the updated cash flow monthly, Ms. Langley confirmed. Chairman Leavitt requested CCSD provide the Department with updated revenue and expenditures as soon as the labor contracts are resolved, at the least as soon as the teacher contracts are approved, noting the Department could provide that to the members, even in advance of the next meeting. Member Ciesynski requested quarterly reports, budget to actual, especially once the labor contracts are solidified.

Ms. Langley asked Mr. Goudie if those reports would be available and if there were issues or concerns in sharing them. Mr. Goudie stated there were no issues, once the union agreements are complete, he would be happy to provide a summary to explain what the agreements mean and the dollar amount impacts, as well as the quarterly reports that are required under statute.

(b) For Possible Action: Discussion and Consideration of Nye County Financial Condition

1. Report by Nye County and the Department on the following matters:

- a) Update on Treasurer's Office Monthly Bank Reconcilements and Treasurer's Reports**
- b) Report by Nye County regarding Preparation for the 2019 Annual Audit and any Concerns that need to be addressed**

Ms. Langley explained staff has weekly conference calls with Nye County. The auditor, commissioner, treasurer staff, and comptroller's office participate. The Department struggles to get reports from them. She noted that Moody's upgraded Nye County from an A3 to an A2. The Department understands the county may look to refinance jail bonds due to lower interest rates. The treasurers report and bank reconciliation provided to the Board of County Commissioners does not balance. They discussed that during their last conference call. She said the Department made it clear these reports need to balance. Dan McArthur, their auditor, will help with that. Savannah Rucker provided a calendar summary. The Department has made it clear to Nye County that their goal is to ensure the audit is produced timely this year. She introduced Dan McArthur and John Prudhont.

Chairman Leavitt asked when the Committee could expect an up to date reconciliation of balances. Mr. Prudhont responded that they were working under directions that it was more important to get the treasurers report in. They brought back the previous Chief Deputy Treasurer to complete the reports and are going back to July of last year correcting errors found in the reports. Chairman Leavitt asked again when they anticipate a corrected version to be available. Mr. Prudhont replied it should be complete by the end of next month. Chairman Leavitt asked him to let Kelly know so she can let the Committee know.

He asked Savannah if she expects the audit report to be timely. She replied that she expects it to be completed in November, assuming the treasurer's office completes the balanced bank reconciliations. Chairman Leavitt assumes they will have a lot of recommendations and possible violations as a result of this not being done. She agreed it is possible, it's likely they will see pulled cash and investment findings with regards to the bank reconciliations, and cross training again. The reconciling items are revenue based. Expenditures are in line. When the reconciling item journal entries are done to record the revenues, they will be in a better position.

Chairman Leavitt stated Nye County will not come off fiscal watch until they have a full year of cash reconciliations, on time with an audit report reflecting that. The soonest would be November of 2020 when the audit report is due, assuming everything takes place. He does not think they will recommend any change in that status until the Committee is convinced Nye County is past this.

Member Walker agreed. She congratulated Nye County on their bond rating increase. She asked if expenditures were in line and revenues were off. Ms. Rucker clarified there were clerical errors and believes the variant is about 400k, there were \$1 million in clerical errors. Member Walker asked if they have an idea where it is. Ms. Rucker explained the bank reconciliation format and treasurers report is new, she thinks there are formula errors and will work with the treasurer's office to get a revised version to the Committee.

Mr. Prudhont noted the previous Chief Deputy Treasurer included checks carried over from 2011. They are in the process of cleaning up what has been there for 10 years. It will not show until July and August but should see a clean reconciliation by then. Their phone meeting on Thursday informed them to go back and add the unidentified line item to the other prior reconciliation reports so they balance. A lot were clerical errors and other unidentified amounts. He assured the Committee they will see results.

Member Ciesynski senses they are working together with the finance office. Ms. Rucker confirmed, noting that with the Treasurer's office being behind it has been a rush to get them to the Committee. When they close the books on September 3rd, they will have a chance to dig into this and have a current report to work on to make changes together.

Chairman Leavitt asked them to promise to have an update, everything to current, on the treasurer's report that will balance, without errors for the next meeting. Ms. Rucker and Mr. Prudhont agreed. Chairman Leavitt stated he would not forget that.

Member Beth Kohn-Cole asked about the negative on the grants in the report detailing cash accounts, if it is from reimbursement requests out and if they were already out, Ms. Rucker confirmed. Member Kohn-Cole verified with Ms. Rucker it was just timing of the billing. Member Kohn-Cole noted there is nothing regarding revenue and expenditures and where they are at budget to actual, she thinks that needs to pull together to show the Committee where they are financially. She hopes they will have that after the audit after November 30. She expects the bank reconciliations will be current through the current year, Ms. Rucker agreed.

Chairman Leavitt asked if they anticipate over expenditures for the June year end. Ms. Rucker replied the Sheriff's office is under budget, the Board of County Commissioners approved a couple augmentations in June to tidy the record for the end of the fiscal year. There are currently no funds with expenditures in excess of appropriations. The ambulance fund, which is an enterprise fund that does record the liability for PERS retirement, does create a deficit, and they will see that on the audit, it is unavoidable. Outside of that they don't see any other issues. AP closed last week, receipts close next week.

John Koenig, with Nye County, commented that the Board of Commissioners budgets the actuals every month. They review it with Savannah's help. It is in good shape now.

Chairman Leavitt noted that their financial position has improved greatly, and that should be congratulated. If they could get the reporting and technical things resolved with an audit report without a bunch of violations, they will be where they need to be.

Ms. Langley expressed concern about their desire to place blame on past treasurers, at some point the reports need to get fixed. Even today she hears it is because of the prior treasurer. The prior treasurer was there to train. Ms. Langley is concerned training has not occurred. To feel confident that they will be timely depends on their staff and the back up being trained. 2011 outstanding items can't be taken off till they are off the books. For 2011 through 2014 or 2017, it was under \$100K. She realizes Mr. Prudhont has only been there since the first of the year but he knew there was a problem that needed to be fixed. The Department just wants it done, she wants to see the reports and go forward.

Mr. Prudhont addressed Ms. Langley's comment, stating it is not about blame, but to explain why things are the way they are. He asked how Ms. Langley was able to make a judgement call on their training. Ms. Langley replied that she based it off their weekly conference calls. Mr. Prudhont noted he advised on the training happening on a daily basis, the bank reconciliation training is not happening because the format changed for it to make more sense to the person doing it to clear up the problems. They are, and have been, moving forward. He disagrees with Ms. Langley's assessment.

Chairman Leavitt noted at the December meeting, the Committee would like an update on training, and confirmation that it is complete and that multiple people can do these things.

Mr. Ciesynski noted he thinks the expertise is not totally in place yet, and it needs to get there.

Chairman Leavitt asked the County Commissioner to take personal responsibility to be sure training is taking place prior to the December meeting. Mr. Koenig noted it is one of his concerns, and he will do his best to do so, adding that he has no direct supervision over the Treasurer, but can attempt to make it happen. Chairman Leavitt noted that Mr. Koenig can bring it up at the County Commissioners meetings.

Mr. Prudhont replied that they have done the training and the steps from the treasurer's report side. The bank reconciliation side is far more complicated. They have someone highly qualified in the Chief Deputy position going back and doing it right, it takes time. It is not a training issue. She put together a new format so people can see where the numbers come from. Chairman Leavitt clarified that beyond any one person, if someone leaves or something happens, this problem does not happen again. Mr. Koenig agreed, that he is concerned no one behind her can do her job.

Member Marty Johnson suggests the county provide a summary of the training by the person who did the training and who was trained, that may help with Kelly's concerns as well. Chairman Leavitt agreed.

Member Colvin mentioned a similar problem in Clark County, and it is not necessarily having the expertise, but not having the bandwidth to keep up with the day to day duties and write up procedures. They hired an independent auditor to reconcile the account, put in tools to go forward, and created operating procedures. She understands training in place, they went through it for two years, until they brought someone in from the outside.

Ms. Langley agreed, adding that she has been recommending that they need more staff. Also, if they have contacted the person that trained them, and if they contacted that person with questions, noting no calls have been made. Sometimes training is Excel spreadsheet training, not where to look or how to investigate. The June reconciliation shows clerical errors. She agrees with Jessica and feels that is what they need. She thought the former treasurer was going to do that but doesn't feel the training happened. She thinks there is some animosity that they feel when the Department says they aren't doing the training. They need more time in the day, and they need to get over that hurdle.

Chairman Leavitt asked for any other comments or questions. There were none.

ITEM 5. FOR POSSIBLE ACTION: REVIEW OF RULES OF PRACTICE REQUIRED BY NRS 233B.050 AND DISCUSSION AND CONSIDERATION OF ESTABLISHING A SUBCOMMITTEE(S):

Chairman Leavitt stated they discussed at the last meeting writing regulations relating to expected reports and things required of entities under fiscal watch. They also talked about GASB84 as it relates to school districts. He noted it has been a long time since they reviewed their forms and regulations. He also noted the reporting as related to the More Cops situation, and Mary had brought up an item relating to drafting language for SB48. He suggested establishing 2 subcommittees, one for regulations regarding entities on fiscal watch and SB48, and a second for accounting things including restricted and unrestricted funds.

He assigned Member Walker as the Chair for the subcommittee regarding Fiscal watch and SB48, and Member Colvin as Chair to the accounting subcommittee. He also assigned members to each subcommittee. Member Paul Johnson suggested changing the subcommittee on regulations to "changes to statute". Chairman Leavitt agreed noting it could also be changes in statute. He stated that he expects a preliminary report by the next meeting.

Peter Keegan suggested the Chairman have a motion passed to establish the subcommittees. Motion was passed unanimously.

ITEM 6. BRIEFING TO AND FROM THE COMMITTEE ON LOCAL GOVERNMENT FINANCE AND LOCAL GOVERNMENT FINANCE STAFF

(a) Report by Department of Local Government Finance "Audit Summaries 2009–2018" as prepared for the Committee

Ms. Langley explained the Audit Summaries included in the material and asked for questions or suggestions for future years.

Chairman Leavitt noted the restricted and unrestricted fund balance on the Audit Summaries was helpful. He would like a discussion about Mineral County's financial situation on the next agenda. He requested the members review the Audit Summaries and let him know if there are other areas of concerns at the next meeting.

Ms. Langley noted that in addition to GASB 68, that will be reviewed. One of the concerns is that CCSD brought up a trust account they brought over to a special revenue account, money students put in for various activities. It is a year end adjustment, and year after year it will show up. She anticipates other school districts will do the same and would like to know if there is a better way to show these.

Member Walker commented on the Audit Summaries. She was surprised how many entities are doing better, and she thanked Ms. Langley for putting it together. Ms. Langley noted that staff works hard on it.

ITEM 7. REVIEW AND APPROVAL OF MINUTES

(a) For Possible Action: CLGF Committee Meeting – July 12, 2019

Motion was passed unanimously, minutes were approved.

ITEM 8. FOR POSSIBLE ACTION: SCHEDULE DATE AND REVIEW AGENDA TOPICS FOR THE NEXT MEETING

Chairman Leavitt asked Ms. Langley when amended budgets are due. She replied they are due in December. He suggested the next meeting in the first part of January, so they know where they stand with budgets. He wants CCSD and Nye County to return, preliminary reports from the subcommittee's, amended December budgets, Washoe County School District, and Mineral County. Ms. Langley noted the indebtedness report will be prepared for the committee as well. He would like a discussion on that also, and about schools as a result of the legislature changes noting they will see the impact in Washoe and Clark counties, with a discussion on the rural areas.

Member Ciesynski stated Member Paul Johnson may have a comment on that as he will be serving on the New Formula Committee scheduled to meet in September. Member Paul Jonson replied that he hadn't heard on the finalization of that committee, they were still trying to find members, September was the targeted date. He noted there will be some significant changes, they may need a presentation from Mr. Jeremy Aguero to explain it to this committee as well. Chairman Leavitt agreed that would be a good idea.

Ms. Langley believes there are large impacts in large counties that receive Net Proceeds, and maybe along with the rural, they could have Jeremy as well.

Member Kohn-Cole asked if a summary of legislative changes regarding local government finance can be provided to the members. Ms. Langley noted there is a completed summary, she will see what she can do to get it to them.

Member Colvin noted legislative changes have significantly increased the liabilities on workers compensation claims, adding that it is only an estimate, but the self-funded internal service funds for FY20 will now be in a negative net position. She wants the Committee to be aware that they may see these insurance funds. Chairman Leavitt thinks they should discuss how to handle that. He thinks the subcommittee looking at the accounting changes and its effect on regulations and statutes could look at that.


Member Colvin noted that she will add it to the list. She also added that she will get with Kelly and the subcommittee members on this matter.

ITEM 9. PUBLIC COMMENT (See Note 2)

There was none.

ITEM 10. FOR POSSIBLE ACTION: ADJOURNMENT

Chair Leavitt adjourned the meeting at 10:25 a.m.



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ITEM 1. ROLL CALL AND OPENING REMARKS

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ITEM 2. PUBLIC COMMENT

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

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