Minutes of the Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
January 23, 2013
9:00 a.m.

The meeting was held at the Nevada Gaming Control Board located at 1919 College Parkway, Board Room, in Carson City, Nevada, and video-conferenced to the Nevada Gaming Control Board located at the Grant Sawyer Office Building, 555 East Washington Avenue, Suite 2600, Las Vegas, Nevada.

COMMITTEE MEMBERS PRESENT:

Marvin Leavitt, Chairman
Michael Alastuey, Vice Chairman
Andrew Clinger
Alan Kalt
Beth Kohn-Cole
Deborah Cunningham
Marty Johnson
Mary Walker
John Sherman

COUNSEL TO COMMITTEE

Dawn Buoncristiani

DEPT OF TAXATION STAFF PRESENT:

Terry Rubald
Tom Gransbery
Warner Ambrose
Heidi De'Angelo
Jeff Mitchell
Penny Hampton
Susan Lewis
Anita Moore
Janie Ware

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Mike Cottingim	Amargosa Valley
Ashley Tibbetts	City of Caliente
Jo Whitlock	City of Caliente
John Brown	City of Caliente
Al Zochowski	City of North Las Vegas
Dave Empey	City of North Las Vegas
Jan Fullmer	City of North Las Vegas
Michael Sullivan	City of Pahrump
Kate Thomas	City of Reno
Robert Chisel	City of Reno
Jeff Cronk	City of Sparks
Yolanda King	Clark County
Patty Bianchi	Pershing General Hospital
Steve Boline	Pershing General Hospital
Joe Pierce	Pershing General Hospital
Scott Nash	Bank of America
Lorelei Barr	CCEA
John Lee	Citizen
Craig Christiansen	NAPSO
Michael Yarter	NLVPOA
Leonard Cardinali	NLVPSA/We Are Nevada
Suzanne Kilgore	Nevada Taxpayers Association
Brian Dugan	Reno Gazette Journal
Carla Fells	WCEA

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Agenda Item 1: Roll Call
Warner Ambrose, Budget Analyst, Department of Taxation, took roll call and stated there was a quorum present.

Agenda Item 2: Public Comment
There was no public comment in Carson City or Las Vegas.

Agenda Item 3(a): Financial Condition Reports by the Department; Consideration and Possible Adoption of Recommendations and Orders: City of North Las Vegas Financial Condition
Member Kohn-Cole recused herself on Agenda Item 3(a) and 3(b) in connection of the financial condition of those local governments. Member Clinger also recused himself on Agenda Item 3(b).

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Al Zochowski, Finance Director, City of North Las Vegas, addressed the Committee. He stated that he did not have a formal presentation but would answer any questions the Committee may have.

Chairman Leavitt asked for an update on the meetings with the employee groups.

Al Zochowski stated that these actions are in active litigation, split between a district court, a board of appeals and an employment board. He had no further information at this time. He could not give specific dates as to when hearings will take place.

Chairman Leavitt asked about how they stand with the next fiscal year budget.

Al Zochowski commented that revenues will stay flat. There may be contract terms that will need to be negotiated with the labor unions. They do not have resources to sustain contracts as they currently exist. They will do their best to live up to the terms of these contracts and still maintain a balanced budget.

Chairman Leavitt requested discussion on the sewer fund.

Al Zochowski stated that the City of Las Vegas was transferring $32 million into the general fund to support governmental operations. The City of North Las Vegas made a commitment to reduce reliance on this. They have begun an in depth citywide cost allocation to determine the actual charges.

Member Sherman asked if the Department received the audited financial statements from North Las Vegas. Warner Ambrose, Budget Analyst, Department of Taxation, stated that the audited financial statements have been received. Member Sherman then spoke to Al Zochowski pertaining to the letter and cash flow projections for the general fund. The statements are dated December 28th but are only actual through October. Member Sherman asked if the City of North Las Vegas stays current in its projections.

Al Zochowski responded that the North Las Vegas Finance Department is significantly understaffed. During the months of July, August, September and October, they were concentrating on the audit. For that reason, they may have not been proactive in monitoring the cash flows. However, their projections had shown there was not going to be a problem.

Member Kalt stated, while looking at all the cash flows that have been provided of actual data, there is a negative cash flow of $448,000. The letter indicates an improvement in cash flow. He asked for an explanation of this discrepancy. The beginning cash balance shows 3.9 and the ending cash balance at the end of October shows 3.5.

Jan Fullmer, Accounting Manager, responded to this question. He stated that the primary reason for this is that the general fund had to subsidize grant fund expenditures when grant funds had not come in yet. A couple million dollars fell into this category. Al Zochowski added that, as stated in his letter, cash flows are improving.

Chairman Leavitt asked if the audit report showed any violation of statute regarding over expenditure of funds. Warner Ambrose responded that there were no violations.

Al Zochowski stated that their general fund balance was at 8%.

Member Walker commented that last session there was a bill passed regarding use of enterprise funds to subsidize the general funds. It gave local governments a certain period of time to decrease their reliance on this. She asked if they were following this law.

Al Zochowski responded that this particular bill gave them until July 2021 to wean themselves off of transfers from the utility fund. They have made a commitment to decrease their reliance by one-half million per year, at least temporarily, until they determine what the actual charges for services should be.

Chairman Leavitt stated that he feels their financial well-being is dependent upon the outcome of the litigation of the employee contracts. If the results end up being negative to them, it appears they will have some severe financial difficulties.

Al Zochowski agreed and stated that they have been going through financial difficulties over the last four years. They have reduced staff by 1,000 employees. If necessary, they will reduce staffing levels further while trying to maintain an adequate level of services for their citizens that would provide safety and all the things their community should provide to their citizens.

Chairman Leavitt asked where they would stand if they lose the lawsuits and approximately how much money it would amount to for the current year and the coming year.

Al Zochowski stated that they did a projection before the year started on what they were not providing that their contracts required them to provide. It came out to about $9.6 million. The projection for the coming year is for another $7.6 million. It is accumulative. The $7.6 million would have to come out of the operating budget, and the operating budget would have to be decreased.

Chairman Leavitt asked where the $9.6 million would come from.

Al Zochowski responded that if they were required to pay out all of those funds immediately, they would have to reduce next year's budget by that additional amount and make payments over a period of time throughout the year.

Member Kalt commented that if you look at the total salaries and benefits and compare that to the total expenditures just using the data provided and the projected cash flows for the total year, it comes to 73%. If one adds the 9 million dollars, it raises that number to 80%. With a county government, any time wages and benefits exceed 75%, it means trouble.

Chairman Leavitt congratulated North Las Vegas for exercising control under these difficult circumstances. There are no violations, over expenditures or funds with deficit balances. Chairman Leavitt thanked North Las Vegas for attending this meeting and stated that he would see them at the next meeting.

Agenda Item 3(b): Financial Condition Reports by the Department; Consideration and Possible Adoption of Recommendations and Orders: City of Reno Financial Condition

Robert Chisel, Finance Director, City of Reno and Kate Thomas, Director of Office of Management and Budget, City of Reno, reviewed their presentation for the Committee.

Member Walker asked questions regarding the stabilization fund. Kate Thomas explained that the chart depicts full usage of the stabilization fund.

Robert Chisel discussed the bond debt. He drew attention to the 2002 revenue bonds for the downtown event center. They are proceeding with refinancing these bonds. Currently they are pledged with a 1% room tax and a C tax backing. They are looking at making them a general obligation (GO) revenue bond. Their interest rate is approximately 5 1/8% currently. By refinancing them with a GO backing, they think they can get 3 1/4%. The intent is not to pull any money out, but simply refinance continuing the same terms. They project a savings of $250,000 to $400,000 annually, depending on interest rates at the time of refinancing.

Member Sherman asked for an update on the subordinate debt for the retract bonds. There was some forbearance agreement with Goldman Sachs.

Robert Chisel responded that the seniors have a letter of credit that expires June 30th. The subordinates have a forbearance that also expires June 30th with Bank of New York as the letter of credit. Goldman Sachs is the underlying bond holder on these. They are in discussion with Bank of New York and Goldman Sachs.

Member Kalt asked if they are in compliance with all of their bond covenants.

Robert Chisel responded that they are in compliance with their bond covenants. They did have issues with their redevelopment bonds. That was corrected this year.

Chairman Leavitt commented that there were several funds with expenditures in excess of appropriations and some funds with deficit balances. He asked for an explanation.

Kate Thomas addressed this question. This was an error on behalf of the Office of Management and Budget involving communication between departments at the end of the year. In moving some money from one fund to another, or expenses that come in post the end of the fiscal year, they were left short in some of the those categories. They have put in place provisions to address this as far as touch points with the departments, forcing the encumbrance of funds at the end of the year via the purchase order process.

Chairman Leavitt noted that there was one over a million dollars.

Kate Thomas responded that this was the self-funded worker's compensation internal service fund. There was a significant increase in the incurred but not reported (IBNR). They did not have the general fund money to cover this at the time. The issue has been rectified. It was a higher then expected IBNR.

Member Kalt asked if it was correct that it had a $38.3 million deficit.

Robert Chisel responded that was correct. The prior fiscal year, the worker's comp fund was negative, and part of this was correcting the outstanding negative cash balance. It no longer has a negative cash balance, but there is approximately $38 million in reserves that are unfunded. The worker's comp fund is unfunded. It is pay-as-you-go. Much of this is due to the heart lung issue. It is a deficit.

Chairman Leavitt commented that this is a statewide issue.

Member Sherman commented that not only is there the unfunded workers' comp liability but also other post employee benefit liabilities. Many local governments are doing pay-as-you-go funding. The reality is that it will eventually catch up with local governments that do not have the wherewithal to fund those liabilities. He asked if the City of Reno is contemplating some action to address these unfunded liabilities.

Kate Thomas responded that they are in the process of setting up a trust so that they can divert as much money as possible into that fund.

Chairman Leavitt stated that he was pleased that they have come this far. They have exercised control over situations where there were big problems. They do not need to come before us on a regular basis; however, they need to inform the Department if they are unable to make scheduled payments on debt. The Department will schedule an appearance.

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Agenda Item 3(c): Financial Condition Reports by the Department; Consideration and Possible Adoption of Recommendations and Orders: City of Caliente Financial Condition

John Brown, City Attorney, City of Caliente, reviewed the submitted report. The city has improved its financial condition over the past three years. There is a grants administrator position that will be phased out because the number of grants the city has received is tapering off. The city foreman will be retiring at the end of this calendar year. The salary to replace him will benefit the city by approximately $20,000 to $30,000. They believe the city's general fund will continue to improve. Between 2007 and 2010, the city received over $6 million in grants. It was important for the city to find ways to maintain parks and walking paths. Initially it took a hit on the end fund balance. The city has taken a number of actions to mitigate that. They have created a parks and recreation fund and adopted park fees that have offset the maintenance costs. They have increased the city room tax. They have also seen a substantial increase in the number of rooms that have been constructed. They believe that is directly connected to the improvements to the parks and the availability for softball tournaments and other events that come to the City of Caliente. Therefore, the city has seen a dramatic increase in the amount of room tax received.

Chairman Leavitt applauded the efforts to solve this problem but expressed concern that no matter how much something is desperately needed, the revenue needs to be available first and not a matter of finding ways to provide revenue for money already spent. The Committee needs a commitment that the City of Caliente will not do this in the way it has been done in the past.

John Brown stated that this is the city's commitment. The city will not make these mistakes again. As history, some of this stems for a flood that the city endured about eight years ago which wiped out a large part of the center of the city along a wash. The city went to Washington D.C. and received a grant to fix the immediate problem. The city was then able to get additional grants and construct some very nice parks. Now they must find a way to maintain them.

Vice Chairman Alastuey noted that the grant funds received for construction or reconstruction of parks and walkways were $6.6 million over a relatively short period of time. The whole general fund of the city is about one-tenth of that. Any local government confronted with a windfall of ten times the general fund needs to exercise great care. The Committee has seen this in other areas of rural Nevada. This is another situation. If a certain finding from the Army Corp of Engineers is adverse to the City of Caliente, they could end of facing a rate increase at the landfill, Waste Enterprise Fund, in order to pay back the cost of the truck -- the purchase of which is potentially questioned by the Army Corp. This is an outfall on the citizens that should not be forgotten.

John Brown stated that this situation extends from the flood that occurred eight years ago. This is something that they believe will not be an issue. It is their understanding, at the end of this fiscal year, it drops off the audit. This has been over their heads for the past few years. The city believes that everything was qualified under the audit and they made appropriate purchases. Their auditor questioned this because he was not sure if everything they purchased was qualified under the audit. They gathered all of the information together in the interest of full disclosure and sent a large packet of information to the Army Corp of Engineers. This occurred two or three years ago. They received a telephone call back basically stating, 'don't call us -- we'll call you.' They left it alone at that time. They have a plan in place and money set aside, just in case. However, by the end of this fiscal year, they do believe it drops off. The limitations enforced by the grant rules would mean that the city would be free and clear at that point. Even if they are challenged, they honestly believe what they purchased fell under the purviews of the grant.

Member Kohn-Cole stated that, in the exhibits, the Committee does not have the park fund and the fire fund – the special revenue funds. She asked about the financial situation of those funds for 2013.

John Brown responded that the park fund and the fire fund are very good at this point. He apologized that they were not included. The park fund is primarily funded out of the room tax fund. They have done this because of the tie-in from what the parks have done to generate additional room tax revenue. At the meeting last May, one of the concerns stated was that they should not be taking from the excess of the room tax fund to build up maintenance for the parks. This is something they want to be careful to stem. But as seen from the increase they experienced over the past few years, it has more than compensated for the additional money needed to cover the maintenance of the parks. They have had to hire one person to specifically maintain the parks. Both of these funds are doing well and are self-sufficient.

Member Kalt asked if the swimming pool fund is self-sufficient from the revenues generated from the users of the pool.

John Brown stated no, if they break out each individual portion, there will be aspects that are not self-sufficient. The pool is not self-sufficient, but it is something that the citizens of Caliente are willing to take on.

Heidi De'Angelo, Budget Analyst, Department of Taxation, stated that parks and recreation has a deficit fund balance as well as the fire fund as of June 30, 2012.

John Brown apologized for his misunderstanding. There is a new park fee that has not been fully in effect.

Chairman Leavitt asked if these funds had deficits at the current moment.

Jo Whitlock, with the City of Caliente, came forward and stated that neither fund has a deficit at the current time. She stated that they did not have any funds at the current time with deficits.

Chairman Leavitt explained to the City of Caliente that before they issue any debt, for whatever reason, in the future, they need to contact the Department of Taxation to make sure they follow the proper procedures. One of the most serious problems a government can have is to issue debt without following the proper procedures.

Jo Whitlock apologized to the panel and stated they have learned from their mistakes, and it will not happen again.

Member Johnson stated that USDA knows the requirements and requires a legal opinion. He questioned how the USDA did this without realizing these steps were not followed.

Discussion ensued and John Brown explained that they were minimally staffed with new employees. They were relying on USDA to catch their mistakes. They have since corrected these errors, and staff has been trained in the proper procedures.

Member Johnson suggested that the Department of Taxation send a friendly reminder to USDA letting them know what is required with this type of financing.

Tom Gransbery, Budget Analyst, Department of Taxation, stated that the Department had that discussion. They were surprised that USDA missed this. A reminder will be sent to USDA. The Department of Taxation has the guidelines and reference packet for medium term obligation on their website

Chairman Leavitt asked if the City of Caliente's audit report reflected any violations and over expenditures.

John Brown stated that there were three violations. One pertained to the employee handbook. They now have an employee handbook. The second violation is management inventory of the capital assets. They are working on this, and it is about 75% complete. The third violation is the medium term obligation which was just discussed and the budget violations which were discussed today.

Heidi De'Angelo, Budget Analyst, Department of Taxation, stated that they have four funds that have been over expended and three funds that had deficit fund balances at the end of the year.

Chairman Leavitt asked if they have instituted processes and procedures to guarantee that they are not over expending these funds from their budget.

Jo Whitlock responded that they have implemented policies and procedures that require the staff to speak with her before they spend any money. She will see if funds are available and if the expenditure is approved.

Vice-Chairman Alastuey asked if all the positive revenues in the parks and recreation fund, the fire fund and the room tax fund are specific to those activities, or is there still some cross match with the general fund.

Jo Whitlock responded that there are specific revenues in those funds. They do have transfers from room tax to parks and recreation.

Chairman Leavitt stated that the Committee appreciates the fact that they are making efforts to fix these problems. He would like them to report back after they have filed the final budget for this year (FY 2013/2014 budget which should be filed by June 1, 2013) and then make one more appearance after they have filed the audit report for this year (which should be filed by December 31, 2013). The Committee will get same time reports from the budget analysts who work on this budget. If these two visits are satisfactory, then the Department will not need to schedule any more.

Agenda Item 3(d): Financial Condition Reports by the Department; Consideration and Possible Adoption of Recommendations and Orders: Pershing General Hospital Financial Condition

Patty Bianchi, CEO, Pershing General Hospital, Joe Pierce, Chairman of the Board, Pershing General Hospital and Steve Boline, CFO, Nevada Rural Hospital Partners, came forward. Patty Bianchi stated that they have reduced wages and hours. They have created a functional revenue cycle. They have structured their expenses so they are sustainable and support their facility. They have increased their operational performance to provide appropriate services to their patients. They are operating within their departmental budget for the first time in years. She has been operating a small savings account for their facility this year which had about $230,000. They met their debt covenants for their USDA loan. She has hired two allied health professions and two full time positions which gives them better control of their medical staff and continuity of care for their patients and community. She has presented the 2012 budget to the County Commissioners and City Council members. It was received very well. She has challenged them as community leaders to support the hospital and get the community to use us. They do need utilization as seen by the November financials. Their service population is still only about 2,000, but they are making it. Evidence of all their hard work should be seen in Mr. Boline's presentation.

Chairman Leavitt commented that he appreciated all that has been done. They have seen some real improvements. The expenditures seem to be under control. It looks like there have been some revenue problems in the last couple of months.

Patty Bianchi responded that their long-term care census was down to 16 for several months. She is happy to report today that it is back to 20.

Chairman Leavitt stated that it looked like they had a large number of charity cases.

Patty Bianchi said that they are going to review every case. They are going to enforce Medicaid or Access to Healthcare acceptance or denial, and see if they can manage that.

Chairman Leavitt commented that in regard to expenditures and financial controls, there has been a real turnaround.

Steve Boline, Nevada Rural Hospital Partners, representing Pershing General Hospital, gave a presentation. He stated that he presented the report to the Board of Trustees related to the 2012 audit. The most significant item is that the auditor chose to remove the delinquent concern from the audit opinion. They now have received an unqualified, clean opinion. There has been a substantial change in the financial position of the hospital, and they had a very positive bottom-line profit for the year. The auditors said that it was rare that one year of positive operation would remove a delinquent concern. However, when the auditors reviewed the sum of the parts, they made this decision. Some of the items that were significant were the profit for the year, and that they brought the fund balance positive. They are now in compliance with their USDA debt covenants. The report to management went from seven significant deficiencies to four. They went from twenty-seven adjusting journal entries to nine. Under current year operations, they are not completely out of the woods yet. There has been some decrease in the utilization of the hospital. This has mainly occurred with inpatient, the swing beds and the nursing home. It was budgeted for a census of 20, which is really only 80% occupancy of the nursing home. Fortunately, the new nurse administrator has not only committed herself to getting that number to 20, but to fill the nursing home. Pershing General Hospital can offer some of the best nursing home care in the state as evidenced by their five star rating. One Medicaid coverage resident results in $7,500 per month. The decrease in those four resident days per month is approximately $30,000. That comes to $360,000 annually. It is very significant. The other issue is inpatient. There is little control over the inpatient. Patients have to meet criteria and have a diagnosis they can treat. One positive factor is that they now have two physicians that are community based on a weekly basis. This gives more continuity of care. The swing beds offer a step-down service where a patient can go to a lower level of care for therapy such as after a hip surgery. The social service director at the hospital has been tremendous in connecting with the community to recruit patients. It is showing in the increase of the census.

Member Walker asked if the hospital was able to renegotiate the contracts with the physicians.

Steve Boline answered that the hospital has existing physicians that were previously under a contract that now are employees of the hospital. The terms of that employment agreement offered some saving, but not all the saving they would have liked. The benefit will be more in the continuity of care and the relationship with the community that is so vital for success. There has been growth in outpatient revenue. This is attributable to the allied health professionals -- nurse practitioner and physicians' assistant. There has been good support of the hospital on an outpatient basis. The bad news is this is reimbursed less than inpatient as far as percentage of charges. There has been a higher level of outpatient revenue, and they have missed the target on reimbursement percentage. Regarding bad debt in charity, a large amount of that will receive reimbursement from Medicare when they claim Medicare bad debt on the cost report. Throughout the year, they are writing these charges off, but they will remove them on the cost report. Steve Boline reviewed the accrual process and then expenses. In FY 2011/2012, they did not make a single capital expenditure. Recently, they made a small expenditure, $41,000, for a new water line, a security door for ER, and copier/scanners. In following the Committee's directive, they have reduced accounts payable, kept PERS current and built up a savings.

Chairman Leavitt commented that the question is on the revenue side. For quite some time, it appeared the community had lost confidence in the hospital. It appears this problem has been resolved.

Member Walker stated that a viewpoint that a hospital is not financially solvent creates a declining confidence amongst the community. This is the first time in eight years that the Committee has seen significant progress. The best thing the Committee can do is add to that confidence because they have earned that. Perhaps coming before this Committee too often will take away from that confidence.

Member Sherman stated that the hospital has put in place systems of financial reporting and controls. He feels the Committee has helped the hospital stay focused, and this might actually help the hospital's viability. He hesitates on cutting the strings. Although there has been progress, there remain many challenges. He complemented them on their efforts.

Member Kohn-Cole stated that she feels the same way as Member Sherman. She commented that they are doing an excellent job, but still have revenue challenges. If there are some continuing monthly cash flow losses, they need to report back to the Committee.

Chairman Leavitt stated that he would like Pershing General Hospital to come back some time after the close of the fiscal year, when the Committee meets in the summer. This will be done with the understanding that if prior to that they have cash flow problems or are unable to pay PERS, they will work with the Department and come in sooner.

Patty Bianchi said that would be great. She notifies Tom Gransbery if there are any negative balances.

Vice Chairman Alastuey stated that in looking at the financial statement analysis, CLGF Page 278, the net capital assets decline between 2010 and 2012. He asked for an explanation of this decline. The average age of plant seems to rise at a much faster rate than the value of the plant appears to be falling. He asked if there had been a redeployment or adjustment to the value of the capital assets.

Steve Boline stated that 'no' was the short answer. In the average age of plant, it includes depreciation expense. Their depreciation expense went down significantly. There has been no change in value of the plant itself -- no write-off of assets other than the nuclear medicine machine. It appears this way as a result of an accounting formula. They can provide a more detailed explanation and clearer analysis.

Chairman Leavitt asked about the condition of the hospital.

Patty Bianchi stated that it is poor. Joe Pierce stated that it is very old. Patty Bianchi stated that it is in desperate need of repair – plumbing, sewer, electrical, heating and air conditioning. It has reached a point that they can no longer ignore it, and they will have to do something.

Agenda Item 4: Review and Approval of Minutes, CLGF Meeting, 10-23-2012
Member Clinger moved to approve the October 23, 2012 minutes as submitted with a second from Member Sherman. The motion passed unanimously.

Agenda Item 5(a): Report on Regulatory Matters – Ten Year Review of Regulations Pursuant to NRS 233B.050(1)(e) and Agenda Item 5(b): Report on Regulatory Matters – Three Year Review of Regulations Pursuant to NRS 233B.050(1)(d)

Terry Rubald, Chief of Local Government Services Division, Department of Taxation, stated that as part of the process to get the temporary regulation approved by the Legislative Commission, they have advised us that we need to comply with the regulations on the ten year review and also the three year review. The Department had actually gone through this exercise over a year ago on the ten year review and submitted the paperwork to the Legislative Council Bureau or filed it with the Secretary of State, accordingly, to be in full compliance.. Ms. Rubald asked the Committee to turn to the chart on Page 338 of the CLGF Exhibit Packet. What a ten year review involves is answering various questions: "Why do we have the regulations? Problem addressed? Value to the public." The Department gave a short synopsis of what the regulation does. The next questions are: "What is the impact on the problem? What are the benefits? What is the adverse impact? What is the estimated cost of this regulation?" It then asks if there is a recommendation to either maintain as written, modify the entire regulation or modify some of the regulation. It further goes on to ask, "Is the regulation as written clear and concise? Is it addressed by any other regulation? What is the date of the last change?" The Department went through and looked at every subsection that is currently in Chapter 350 and Chapter 354. The Department marked almost all of them 'maintain as written.' It is coming up on the agenda to review the regulations and see if changes need to be made with regard to GASB 54. This chart may be used as a handy reference to see if there is anything else that needs to be changed. Ms. Rubald referred to Page 342 and Page 343 in the CLGF Exhibit Packet. There are some lines that are highlighted where the Department suggests some modification needs to occur. One of these is Subsection 354.566 through 354.577, reports regarding receipt and distribution of property taxes. This is a relatively new regulation that pertains to the process of getting information on property tax through the school district. It involves making sure that it is the same amount the Treasurer is distributing. This is for the purpose of getting this information to the Department of Education for their DSA calculation. F and G state that the preliminary summary report must include the total amount collected for delinquent taxes attributable to all the fiscal years ending on or before June 30, 2005, and the total amount collected for delinquent taxes attributable to all the fiscal years beginning on or after July 1, 2005, before the commencement of the current fiscal year. The Department is proposing just to eliminate that reference. This is something the Committee may want to add to any future rulemaking being considered. On the next page, the General Improvement District Subsection 354.760 through 354.770, the only comment the Department added was to consider whether it is necessary because it is so old. The last time it was reviewed was 1977. On the enterprise fund, the Department noted to modify some and update the definitions of direct and indirect costs that are in 354.825 and 354.835 only because the new regulation has not been codified yet (referring to LCB File R007-12). There are new definitions of direct and indirect costs. The Committee may want to get rid of the old definitions in favor of the new. This is what was submitted for the ten year review. For the three year review, the actual NRS 233B.050 says that each agency shall adopt rules of practice. What the Department submitted for this is what you see on Page 345 of the CLGF Exhibit Packet, which is on the Department's website and lists all the forms that are available. The Department may need to consult with the Attorney General's Office as to whether we must actually have a rule that talks about each form. What the Department submitted for rules of practice were the proceedings before CLGF that the Committee adopted in 2010. Fortunately, the Department is in compliance because the three years have not gone by yet, but we will have to look at this next year.

Chairman Leavitt stated that there is not much purpose in making these changes until the Legislature is out of session. These changes are minor and could be tacked on to major regulatory changes. Chairman Leavitt stated that he appreciated the work that Terry Rubald did in putting this together fairly quickly for a request from a Legislator. He also expressed appreciation to Member Sherman for taking this before the actual Legislative Commission.

Agenda Item 5(c): Report on Regulatory Matters – Conformance of Regulations with GASB 54
Terry Rubald stated that this was something mentioned at the last meeting. Perhaps the Committee wants to engage in some analysis to see if we need new regulations to conform with GASB 54.

Member Kohn-Cole stated that she does not believe the Committee needs to pursue this because it refers to fund balance. Reserved or unreserved was not mentioned under the old rules. In her opinion, although GASB 54 redefines some of the terms and changes the terminology, it does not change the legality of fund balance or anything in the statues.

Member Walker agreed that this would not accomplish anything, and it would be too complicated to estimate what the categories would be at year end for every fund.

Chairman Leavitt commented that he remembers many years ago going through all of Chapter 354 in detail to review the fund definitions and accounting-related procedures that are actually in statue. The Committee made some fairly substantial changes to wording which was subsequently passed by the Legislature. He is not sure if there have been significant changes in accounting procedures to justify doing this again.

Discussion ensued, and it was determined that this was done in late 2000. It should not be necessary to review this again at this time.

Agenda Item 6(a)(1): Briefing to and from the Committee On Local Government Finance and Local Government Finance Staff: Discussion of Matters Affecting Local Government – Follow-up on Ending Fund Balance Graphs Concerning Nye County, Nye County School District

Tom Gransbery, Budget Analyst, Department of Taxation, stated that at the last CLGF meeting in October, the Department presented some graphs that showed ending fund balances as a percentage of general fund expenditures. The Department presented for counties, cities and school districts. After the Committee reviewed the graphs, concern was expressed regarding Nye County, Nye County School District and the City of Caliente. The Department has had discussions with the City of Caliente regarding issues with their fund balance and what they need to do to correct it. Mr. Gransbery went on to discuss Nye County. For FY 2010, Nye County had a fund balance of $300,000, and in FY 2011, they had a fund balance of $700,000. These are low fund balances in comparison to other counties. In 2007, Nye County had a fund balance of $4.1 million. For several years they chipped away at that. In 2009, it was $2.6 million, with a drop to $300,000 in 2010. In reviewing this, they had a budget deficit of $2.5 million in 2010. The Department had a telephone conversation with Nye County regarding their fund balance, and they brought to our attending a big concern of the comptroller and the county district attorney. For FY 2011, even with that increase in fund balance, they have an over expenditure in public safety of $750,000. For FY 2012, they believe that over expenditure is going to be a $1,000,000. They are going to do everything they can to get the sheriff division to stay within their budget. They have an extension on their audit, so the Department is unable to provide that for review. Another concern is that they are using the net proceeds revenue in the general fund for operating purposes. The Department has had several conversations with Nye County discouraging this practice. Net proceeds should be used for a one time capital expenditure or building up a reserve. Nye County also has a policy of deferring net proceeds revenue. When the Department looked at the balance sheet that shows the $700,000 ending fund balance, Nye County actually had cash of about $5.1 million but much of it was deferred. The relationship of their cash balance and their fund balance is skewed. The Department asked them if deferring the revenue was a policy. The comptroller was going to look into that. The Department feels that if they are receiving that money in June, they should be booking it. This would reflect a better fund balance. Nye County will send the Department a draft copy of their audit as soon as it is available. Nye County does not believe their FY 2012 fund balance will be much more than $600,000. The Department will follow through and will ask Nye County to appear at the next CLGF meeting to speak about these matters in more depth.

Chairman Leavitt stated that we need to impress on the counties the seriousness of over expenditures. They are essentially in violation of statute.

Tom Gransbery stated that Nye County was looking at what legal steps they could take. It appears that there is an enormous amount of overtime in public safety.

Tom Gransbery went on to review Nye County School District. They had an extremely low fund balance for FY 2010, which was a little over $79,000. Looking back, they had a high in FY 2008 of $3.5. It decreased in FY 2009 to $1.4, and lost almost all of it by FY 2010. They increased that fund balance in FY 2011, and it went up to $1.5. There are some things on the FY 2012 audit that will make that ending fund balance look better. They had a special revenue fund where they put net proceeds which they called an advanced net proceeds fund. Because of GASB 54, their auditor stated that they needed to put that back into the general fund. There was an adjustment to the ending fund balance of $1.5 that became a beginning fund balance for FY 2012 of $3.9. As FY 2012 played out, they had $3.1 million in excess revenue over expenditures. Nye County School District's FY 2012 fund balance is now $7 million. Mr. Gransbery stated that the next time the Committee meets, he will bring a new set of graphs.

Chairman Leavitt stated that he wants Nye County to appear before the Committee at the next meeting to discuss the over expenditures.

Agenda Item 6(a)(2): Briefing to and from the Committee On Local Government Finance and Local Government Finance Staff: Discussion of Matters Affecting Local Government – Report on Audit Filing Status

Tom Gransbery, Budget Analyst, Department of Taxation, stated that several years back the Department presented the Committee with information regarding entities that requested audit extensions. This is an update which includes FY 2010, FY 2011 and FY 2012. Mr. Gransbery reported on all the counties, cities and schools. The Department has entities that submit their audit in a timely manner without requesting extensions. There are other entities that, for the three years reported, have asked for extensions. The Department is considering sending a memo in early July reminding the entities to begin preparing for their audits and that the four and five months that statute and NAC allows should be ample time to complete them.

Chairman Leavitt agreed that sending a memo would be an excellent idea.

Agenda Item 6(b): Briefing to and from the Committee On Local Government Finance and Local Government Finance Staff: Discussion by Committee Regarding Matters Affecting the Committee

There was no discussion pertaining to this agenda item.

Agenda Item 7: Schedule Date and Review Agenda Topics for the Next Meeting

The dates of April 30, 2013 or May 2, 2013 were discussed as possible dates. Terry Rubald, Chief of Local Government Services Division, Department of Taxation, stated that the Department will work on finding a location and will send an email.

Agenda Item 8: Public Comment

There was no public comment in Carson City or Las Vegas.

Agenda Item 9: Adjournment

The meeting was adjourned at 11:31 a.m.