



**Minutes of the Meeting**  
**COMMITTEE ON LOCAL GOVERNMENT FINANCE**  
**April 23, 2019, 9:00 a.m.**

The meeting was held at the Department of Health and Human Services, 4150 Technology Way, Room 303, Carson City, Nevada with videoconference to Nevada Department of Health and Human Services, 1391 S Jones Blvd, Training Room, 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  
Mary Walker  
Jessica Colvin  
Jim McIntosh

**COUNSEL TO COMMITTEE:**

Peter Keegan

**DEPT OF TAXATION STAFF  
PRESENT:**

Melanie Young  
Jeff Mitchell  
Kelly Langley  
Penny Hampton  
Keri Gransbery  
Evelyn Barragan  
Kellie Grahmann  
Denesa Johnston  
Christina Griffith

**MEMBERS OF THE PUBLIC PRESENT:**

<b>Name</b>	<b>Representing</b>
Jason Goudie	Clark County School Dist.
Mark Mathers	Washoe County School Dist
Savannah Rucker	Nye County
John Koenig	Nye County
John Prudhont	Nye County
Ruth Lee	Esmeralda County
Vera Boyer	Esmeralda County
Tim Hipp	Esmeralda County
Robert Glennen	Esmeralda County Attorney
Cash Minor	Elko County
Hugh Gallagher	Storey County
Daniel McArthur	Auditor
Frank Johnson	MGSD
William Peterson	MGSD
Stacy Carroll	McArthur CPA

**ITEM 1. ROLL CALL AND OPENING REMARKS**

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

Chairman Leavitt expressed concern regarding statute violations of deadlines not being adhered to and budgets not being timely submitted.

**ITEM 2. PUBLIC COMMENT**

There were none.

**ITEM 3. FINANCIAL CONDITION REPORTS BY THE DEPARTMENT; CONSIDERATION AND POSSIBLE ADOPTION OF RECOMMENDATIONS AND ORDERS**

Member Kohn-Cole recused herself from items involving Washoe County School District, Clark County School District, Storey County and Elko County.

Member Marty Johnson disclosed that he works with Washoe County School District and Storey County but this would not affect his working relationship.

Mary Walker disclosed that she works with Government Affairs, excluding financial affairs, for Storey County but it would not affect her working relationship.

**(a) For Possible Action: Discussion and Consideration of Washoe County School District reporting a 3<sup>rd</sup> Year of Decline in General Fund Ending Balances pursuant to NRS 387.3045**

Kelly Langley, with the Department of Taxation (Department) and Mark Mathers, with Washoe County School District (WCSD), appeared.

Ms. Langley reviewed the material provided in the packet, noting a decline in ending fund balance (EFB) for three consecutive fiscal years. Mr. Mathers, explained what that the school district has been doing to resolve the issues.

Chairman Leavitt recommended both WCSD and Clark County School District (CCSD) to follow-up after the Legislature approves the distribution of funds and funds worked into their budgets. He requested a presentation at the next Committee meeting to give the committee a chance to see what the budget situation will be for the next fiscal year.

Member Ciesynski complimented Mr. Mathers' presentation. He explained his concern about the remaining school districts because this trend impacts them as well.

Member Walker explained there are two things for local governments to be sustainable; enough growth for inflation and growth in population. Mr. Mathers showed inflation and population increase. She hopes that if WCSD redoes their formula, they use those two things to be sustainable.

Mr. Mathers agreed, noting one challenge is that they were provided a funding source by Washoe County tax payers for new buildings. Voters approved a new tax and the District is currently adding three new schools to open in August 2019. He discussed the lack of funding for operating costs.

Chairman Leavitt recommended WCSD and CCSD be prepared to discuss school financing at the next meeting, and what they expect in the future regarding school funding based on the Legislative session.

Member Marty Johnson asked if it would be helpful to the Committee if the Department put together what the other 15 school districts situation looks like in terms of how they spend funds down to give a better overview of how this is impacting all the school districts in the state.

Member Paul Johnson pointed out the flaws used by the state's budget office, noting that a group of representatives are currently trying to schedule a meeting to discuss the issue.

Member Ciesynski added that with the current administration change, the Department of Education is currently without a fiscal lead, creating additional challenges for the school districts to work through.

**(b) For Possible Action: Discussion and Consideration regarding Minden Gardnerville Sanitation District**

1. Audit not Completed in Accordance with NRS 354.624, Which Requires Audit to be completed by a Certified Public Accountant or by a Partnership or Professional Corporation that is Registered Pursuant to Chapter 628 of NRS

Kelly Langley, with the Department, Frank Johnson, District Manager for Minden Gardnerville Sanitation District (MGSD), and Bill Peterson, Attorney representing the MGSD appeared.

Ms. Langley explained the Department was notified by MGSD's attorney that auditor Richard J. Peters, Jr. and Company's license was suspended in November, 2016, impacting 2018, 2017 and 2016 audits. She noted a licensed certified public accountant has been hired to redo those audits.

Mr. Peterson explained what happened regarding the audits and what MGSD has done to correct the situation. Chairman Leavitt verified with Mr. Peterson that the audits are being redone and an opinion for those years will be issued. Mr. Peterson hopes to resubmit them by the end of the summer.

Member Colvin asked MGSD if the district received missing OPEB and actuary reports on their OPEB liability. Mr. Johnson replied that he was unsure.

Chairman Leavitt asked that MGSD return for the next meeting to discuss the status of the audits, address differences between the audits previously submitted by the prior auditor and the ones submitted by the new firm, and discuss the actuary/OPEB liability.

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

1. Report by Clark County School District and the Department on the following matters:

- a) Brief update on FY 19/20 Tentative Budget
- b) FY 18/19 Cash Flow Projections and Fund Balances
- c) Legislative update on issues potentially impacting the School District

Kelly Langley, with the Department, and Jason Goudie, with Clark County School District, appeared.

Chairman Leavitt verified Mr. Goudie heard the discussion with WCSD. Mr. Goudie agreed to participate in the Committee's request at the next meeting. He noted cash flow projections were higher than projected. He discussed issues with the 2019/2020 tentative budget and will discuss that further at the next meeting. He stated the tentative budget was submitted to the Board of School Trustee's on April 3, 2019. Mr. Goudie added they are working with the legislature, other school districts, and superintendents throughout the state on opportunities for additional funding on this statewide issue. They budgeted to increase the unassigned EFB to 2%, up .25% from the previous year.

Mr. Goudie addressed the current legislative session, noting a number of bills are of great concern to all school districts. One is regarding a 3% raise to be paid, regardless of funding, by all school districts. Some language in another requires the district to pay the 2% roll-up regardless of available funds. For CCSD, this comes to four hundred million dollars of negative fiscal impact over the biennium. Additionally, a legislative report shows that the total unfunded appropriations not in the biennium budget are 1.3 billion dollars. CCSD is opposing any bill with a fiscal impact to the school district and the state itself, they believe additional funding should be diverted or moved into education, not other services.

Member Cronk was curious where Mr. Goudie's board was and what sort of policies they use to formulate their decisions finalizing the budget. Mr. Goudie explained that the superintendent laid out their five year plan, strategic goals, and objectives. He also discussed the collective bargaining agreements.

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

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

- a) FY 17/18 Audit and Corrective Action
- b) Update on monthly expenditure reports to Nye County Commission
- c) Update on Treasurer's Office monthly bank reconcilements and Treasurer's Report.

Evelyn Barragan, with the Department; Commissioner John Koenig, Treasurer; John Prudhont; and Comptroller Savannah Rucker representing Nye County were present.

Ms. Barragan brought the Committee up to date on the audits and problems that made it difficult to reconcile submitted audits.

Ms. Rucker shared that Nye County provided this Committee their audit findings, included in the member packets. She discussed some of those findings.

Mr. Prudhont shared that the County brought treasurer's reports and bank reconciliations current to December, 2018, and have implemented training, cross training, and have been able to bring in past employees to help with the process. They have also been working with auditors and the comptroller to implemented internal controls. He believes they will be able to bring everything current within the next month.

Chairman Leavitt asked Nye County to discuss the working relationship between the Comptroller's Office and the Treasurer's Office. Ms. Rucker stated they are working together and had figured out a way to move forward. Mr. Prudhont agreed.

Ms. Rucker noted the Revenue Reports mentioned by Ms. Barragan were through February, the CTX and property tax were not posted for multiple months but since that report was posted, the Treasurer's Office has caught up with posting revenues.

Chairman Leavitt mentioned that the Committee had recommended taking Nye County off fiscal watch. At the time the recommendation was made, there were underlying problems taking place such as the issues that are being discussed.

Ms. Rucker stated she understands the concerns and the Committee's disappointment and frustration with Nye County.

Mr. Koenig said the Commissioners were lead down the same path the Committee was. He would like the Treasurer's Office caught up and staff trained. He wants a monthly report from the Treasurer's Office. He feels the county is doing everything possible to get caught up and through this situation.

Chairman Leavitt agreed and would like the problems resolved.

Mr. Prudhont believes the problems currently taking place were started after Nye County was taken off fiscal watch.

Member Walker asked if Nye County was prepared for the next audit cycle and if they saw any problems. Ms. Rucker replied that with the changes in the Treasurer's Office, there are a couple of issues that will perpetuate. One is an enterprise fund that has a net pension liability issue that generates a negative net position at years end which will continue to be a problem due to the unfunded liability and the other could potentially have intergovernmental functions over budgeted, they do receive revenue for ad valorem capital that goes out to the town and try to anticipate how much revenue will be generated to be transferred out to the towns.

Member Ciezynski noted the Committee is obligated to monitor what is taking place in Nye County. Chairman Leavitt agreed. He asked for the Departments recommendation.

Ms. Langley asked the Committee to consider placing Nye County back on fiscal watch, adding that Nye County has made significant improvements yet the Department's concern is that their ability to report timely was severely impacted and their ability to report accurately has also been a concern.

## **2. Department Analysis and Discussion of Possible Fiscal Watch Status**

Member Kohn-Cole stated that she supports placing Nye County back on fiscal watch. Chairman Leavitt agreed with the Department and Member Kohn-Cole's recommendation of placing Nye County back on fiscal watch.

Ms. Langley stated she would also like to see a succession plan put into place.

Chairman Leavitt asked for a motion. Member Ciezynski motioned to place Nye County back on fiscal watch. Member Kohn-Cole seconded the motion. All Members present approved the motion.

Chairman Leavitt called for a break.

### **(e) For Possible Action: Discussion and Consideration regarding untimely FY 18 Annual Audit**

#### **1. Report by Storey County for the following matter:**

##### **a. Untimely Annual audit filing for V & T Railroad**

Kelly Langley, with the Department, and Hugh Gallagher with Storey County V & T Railroad, appeared.

Ms. Langley explained the delay for filing the annual audit was partially due to the difficulty in the data gathering and records transition from the V & T to Storey County at the end of the calendar year 2017.

Mr. Gallagher stated that he takes full responsibility for the untimely filing. He explained that during the 2017 Legislature, a new reorganization occurred which took the V & T Board from 9 to 5 members and established new members for its operation. The old inter local agreement was replaced by a new agreement dated April, 2018 which shifted the reporting responsibilities to Storey County and his office. Mr. Gallagher thought the report was completed and was reminded by the Department that it was due. He does not anticipate this happening again in the future.

Chairman Leavitt thanked Mr. Gallagher for attending.

#### **2. Report from Elko County on the following matter:**

##### **a. Untimely annual audit for Elko County, which includes: Jackpot, Jarbridge, Montello, Mountain City, Starr Valley & Tuscarora Water**

Kelly Langley and Keri Gransbery, with the Department, and Cash Minor with Elko County appeared.

Ms. Gransbery explained that Elko County requested and were given a 30 day extension to submit their audit, which was then due on December 31, 2018. The audit was delivered to the Department April 22, 2019 along with the budgets for the above entities. Ms. Gransbery introduced Mr. Minor, Assistant County Manager and C.F.O. for Elko County.

Mr. Minor explained the late reports were due to the retirement of the County Comptroller last year and a new one that started March 4, 2019. He stated he is in the position now of submitting everything timely, and the county is current on all bank reconciliation, records, and journal entries.

Ms. Langley asked Mr. Minor about the audit findings. Mr. Minor replied that there were some over expenditures with public safety, some enterprise funds need rates adjusted, depreciation is causing over expenditures which they are in the process of doing. They also had inter-fund loans, of which one they missed by \$5,000, another missed "altogether", and the most questionable one is dealing with OPEB and the actuary report.

Chairman Leavitt expressed concern with the over expenditures and asked if there is a control in place. Mr. Minor explained that it has been difficult due to some of the unfunded legislative mandates. He thanked Mr. Minor.

**(f) For Possible Action: Discussion regarding Esmeralda County Untimely PER's Payments and Reporting Requirements**

**1. Report by Department and Esmeralda County regarding Untimely PER's Payments and filing of QES Reports**

Keri Gransbery, with the Department, and Vera Boyer with Esmeralda County appeared.

Ms. Gransbery explained the Department was notified that Esmeralda County was behind in PER's payments and was asked to look into it. The Department reviewed the 17/18 audit. The Department has worked with Esmeralda County to ensure their RPTT tax reports were up to date. Numerous QES's have been received and corrected. The Department is uncertain about the validity as necessary posting has not been done. The Department has concerns and confusion over whom at the county should be completing the reports. The county does the reports for Goldfield and Silver Peak as well as Esmeralda County. Ms. Gransbery shared that last year's budget took numerous corrections and each year has been returned with different information. The concern is if the county is not making timely PER's payments it can lead to the withholding of CTX proceeds to the local government. They would like to see the issue resolved. Ms. Gransbery introduced Ms. Boyer.

Chairman Leavitt stated the Legislature feels PER's payments are one of the principle obligations of local government and is why it was placed in statute. Nonpayment of PER's is the reason for withholding tax revenue plus it causes problems for those wanting to retire. There could be a discrepancy in years for an individual due to the county neglecting to file. He asked Ms. Boyer if the County has the funds to make the PER's payment, she replied "yes". He questioned if the County was behind on their payments, if the March payment was made.

Ms. Boyer explained the County is currently converting to Tyler. She is working with PER's now to complete the report and is having problems pulling it out of Tyler. They believed they had it into PER's for review but discovered part of the report was missing.

Member Rackley shared that her department has also gone live with Tyler and encouraged Ms. Boyer to make their payment to PER's and pull the payments off of their payroll projections. The County can always go back to make adjustments; this would ensure they in a favorable position with their payments.

Chairman Leavitt asked if the county has someone identified to do the QES Reports. Ms. Boyer replied that she has been working with Ms. Gransbery and Ms. Langley to get these caught up and from this point on, it will be her responsibility. Ms. Gransbery noted there is one QES that still needs to be submitted.

Chairman Leavitt asked if the QES's were accurate. Ms. Boyer believed they were. She shared that she has tried to work with the Esmeralda County Treasurer in getting the reports.

Ms. Langley expressed concern if the postings are current; if not, the QES balances are not going to reflect properly. Ms. Boyer replied that they were current when they transferred over from ADS, the conversations have been difficult but she believes they reflect current postings.

Ms. Langley agreed the conversions from ADS to Tyler are painful; a lot of counties are going through this now, but would like to ensure payments are being made.

Chairman Leavitt asked Esmeralda County to return for the meeting being scheduled for the end of the summer to report on the payments and reports. He thanked Ms. Boyer for attending.

#### ITEM 4. BRIEFING TO AND FROM THE COMMITTEE ON LOCAL GOVERNMENT FINANCE AND LOCAL GOVERNMENT FINANCE STAFF

##### (a) Legislative Update from Jeff Mitchell

Jeffrey Mitchell, with the Department, briefed the Committee on the Legislative Session and Bills the Department is currently monitoring that may be of interest to the Committee.

SJR14 – This passed the 2017 Legislative Session, if it passes the 2019 Session, it will go to the vote of the people on November 3, 2020. This is a constitutional amendment revising how property taxes work in the State of Nevada. Upon seller transfer of property; the depreciation would reset to zero on improvements and would wipe out abatements upon seller transfer of the property. The fiscal impact has been hard to calculate. There is a companion Bill, SB419, which goes into more detail and obviously is contingent upon passing the vote of the people November 3, 2020 as well as this Legislative Session.

AB367 – Regarding business impact statements for Boards that are able to issues rules or regulations. Currently committees, boards and commissions have to consider the small business impact a bill they are proposing may have. This legislation requires the committee or board meet at least 10 days before that rule is considered to consider the small business impact. If the committee or board moves forward without considering it, the actions of that board or committee will be void.

SB20 – Authorizes the Board of County Commissioners of a county to form a nonprofit corporation to aid the county in providing certain governmental services in times of an emergency. This is regarding Clark County and funds received from a variety of sources for tragedies that befell them since the last session.

SB111 – Recently amended with Amendment 259, this is regarding collective bargaining by a government employer. It reads: “for certain governmental funds of a local government other than a school district, a budgeted EFB of not more than 25 percent of the total budgeted expenditures, less capital outlay, is not subject to negotiation and must not be considered by a fact finder or arbitrator in determining the local government employer’s ability to pay compensation or monetary benefits. Section 1 of this bill provides instead that a budgeted EFB of not more that 16.67 percent of the total budgeted expenditures, less capital outlay, is not subject to negotiation”.

Mr. Mitchell would like to present a Legislative Report to the Committee at the next meeting.

SB341 – Regarding enterprise funds, specifically enterprise funds dealing with telecommunication services. It states: “Under existing law, the governing body of a local government is authorized to: (1) loan or transfer money from an enterprise fund only if the loan or transfer is made under certain circumstances; and (2) increase any fees imposed for the purpose an enterprise fund was created, only if the governing body makes certain determinations, including that the increase is necessary and the fees in the enterprise fund are used solely for the purpose the fees are collected. This bill exempts an enterprise fund created by a local government for the purpose of providing telecommunication services from such limitations.”

SB48 – Regarding rural counties and the ability to impose an additional tax on diesel. If the County Commissioners wish to pursue such option, they would have to take it to a vote of the people and the ballot initiative question would be provided on a form supplied by the Committee on Local Government Finance. This would be brought before the Committee.

Mr. Mitchell concluded his presentation and asked the Committee if there were any bills they would like a report on at the next meeting. There were none.

#### ITEM 5. REVIEW AND APPROVAL OF MINUTES

**(a) For Possible Action: CLGF Committee Meeting – January 22, 2019**

Chairman Leavitt asked for a motion on the minutes.

Member Marty Johnson moved to approve the meeting minutes. Member Ciesynski seconded the motion. No members opposed.

**ITEM 6. FOR POSSIBLE ACTION: SCHEDULE DATE AND REVIEW AGENDA TOPICS FOR THE NEXT MEETING**

Chairman Leavitt reviewed items for the upcoming meeting.

- Clark County and Washoe County School Districts will be placed on the next agenda to present an update of the Legislative Session as well as the other school districts.
- Nye County will be also presenting.
- The Minden Gardnerville Sanitation District will report also regarding the status of back audits.

Chairman Leavitt mentioned the discussion Jessica brought up. He would like to a future general discussion regarding liabilities and funds coming from OPEB and how this applies to the Committees Budget Act. Jessica added that after the audits are complete, to see how many of the enterprise funds report a negative net position because of the long term liabilities will show how big of an issue it becomes, if at all.

Ms. Langley noted the Department is currently working on tentative budgets that have been submitted. They will have the rates and the Red Book approved by the Nevada Tax Commission at its June meeting. She would like to have the next Committee meeting after June 25<sup>th</sup>. Additionally, the Department should have the annual report that is put together reflecting the audits of all the county schools and cities.

Member Cronk asked Ms. Langley how often amended budgets are submitted during a legislative year.

Ms. Langley explained that the statutes allow school districts to provide amended final budgets 30 days after the close of legislature.

Chairman Leavitt noted that he would not be available during June or July for upcoming meetings. Mr. Mitchell asked the Chairman if he would like the Department to propose dates toward the end of August. All Committee Members agreed.

**ITEM 7. PUBLIC COMMENT (See Note 2)**

There were no public comments.

Chairman Leavitt stated that he appreciated the Members comments and discussions during this meeting.

**ITEM 8. FOR POSSIBLE ACTION: ADJOURNMENT**

Chairman Leavitt adjourned the meeting.