

Minutes of the Meeting
COMMITTEE ON LOCAL GOVERNMENT FINANCE
January 22, 2019, 8:30 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 Rawson Neal Psychiatric Hospital, 1650 Community College Dr., Training Room B193, 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

MEMBERS OF THE PUBLIC PRESENT:

Name	Representing
Jason Goudie	Clark County School Dist
Diane Bartholomew	Clark County School Dist
Cal Johnson	NV Assoc of Schools
Linda Newman	Self
Pat Leavitt	Self
John Bosta	Self
Dwight Lilly	Self
Patricia Galvin	Self
Eileen Prudhont	Self
John Prudhont	Nye County
Corrie Ebeling	Nye County
Savannah Rucker	Nye County
John Koenig	Nye County
Lewis	Nye County
Danelle Shamrell	Nye County
Danielle McKee	Nye County
Tim Suttan	Nye County
Lorina Dellinger	Nye County
Linda Poleski	City of North Las Vegas
Deborah Barton	City of North Las Vegas
Darren Adair	City of North Las Vegas
Ryann Judan	City of North Las Vegas
Nikki Thorn	City of North Las Vegas
Daniel McArthur	Auditor

COUNSEL TO COMMITTEE:

Peter Keegan

DEPT OF TAXATION STAFF PRESENT:

Jeff Mitchell
Kelly Langley
Penny Hampton
Keri Gransbery
Evelyn Barragan
Kellie Grahmann
Denesa Johnston
Chali Spurlock

ITEM 1. ROLL CALL AND OPENING REMARKS

Members Jessica Colvin, Jim McIntosh, and Christine Vuletich were absent. All other members were present.

ITEM 2. PUBLIC COMMENT

John Bosta, Nye County resident, commented that he has been trying since 2017 to get marijuana reports from Nye County. He claims the county is putting the marijuana money into their general fund which is making it difficult to see where the money is being used and or distributed.

Dwight Lilly, a resident of Pahrump, commented that the auditor recommended cross training for the County and it has not been done yet.

ITEM 3: 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 the School District and the Department on the following matters:

- a) FY 17/18 Audit Report & Findings**
- b) FY 18/19 Cash Flow Projections**
- c) Brief update on Potential Legislative issues**

Kelly Langley, with the Department of Taxation (Department) and Jason Goudie, with Clark County School District appeared.

Ms. Langley briefly went over the information in the packet provided, noting there were three over expenditures that could have been augmented in the budget to avoid being compliance issues.

Mr. Goudie stated they have updated processes and procedures, and their debt is the lowest it has been in 10 years. Their updated cash flow shows improvement from last year.

Chairman Leavitt appreciated the cash flow and stated he is happy their ending fund balance (EFB) is rising, and would like augmentations.

Mr. Goudie noted he would work with taxation and that the primary focus this legislative session will be on funding. He did not have the augmentation information with him. Ms. Langley commented that they can augment monthly. Chairman Leavitt added it is common practice toward the last month of the year to look at what transpired and make adjustments if necessary.

Member Kohn-Cole pointed out that additional revenue from grants should not be an over expenditure violation. Member Walker added that there is a different procedure on grants. The theory is they want grants to be spent.

Member Ciesynski asked if the enrollment is having any impact on their building program. Mr. Goudie replied that it has not at this point, but they are addressing changes in enrollment.

Member Walker mentioned that an increase in EFB is a long term financial strategy. She asked if they have plans to get it up to the 4% minimum. Mr. Goudie replied that the districts 5 year plan notes to increase about .25% per year.

(b) For Possible Action: Discussion and Consideration of the City of North Las Vegas Financial Condition:

- 1. Report by the City of North Las Vegas and the Department on the following matters:**
 - a) FY 17/18 Audit Report,**
 - b) FY 18/19 Cash Flow Projections**
 - c) FTE Levels by Function and Department**
- 2. Department Analysis and Discussion of Possible Removal from Fiscal Watch**

This item was heard after (c), Nye County, due to a communication error.

Kelly Langley, with the Department of Taxation (Department), Darren Adair and Ryann Judan, with the City of North Las Vegas appeared.

Ms. Langley explained the material provided. She noted the fund copies in the packet and went over the previous violations noting they have been addressed. She mentioned the 10 year FTE History chart which helps visualize the reductions North Las Vegas has done to reduce expenditures. She introduced Darren Adair,

Mr. Adair explained they have provided the items previously requested as well as a rating presentation they recently did. It has the most current information in it. Ms. Langley noted that she provided a copy of that.

Mr. Adair went over the highlights of the rating presentation and the audit findings. They are continuing to pursue federal reimbursements and are also continuing to transfer funds toward reducing PILT each year. They are current with their collective bargaining agreements. He mentioned the critical needs committee continues to function as they continue to address those needs. They hope to see more growth and increased property tax with new development. He noted the cash flow projections have been provided in the packet. They are meeting their financial obligations and over performing on their budget.

Ms. Langley asked if for year ending 2018 the city reduced the PILT as agreed in the plan. Mr. Adair confirmed that they did.

Mr. Adair continued explaining where they stand in regards to staffing, expressing they are still at minimum levels.

Chairman Leavitt commented that North Las Vegas was having severe problems when they first started with the Committee and over time, they seem to have gotten control. He recommends removal of fiscal watch. He stated there is still a problem with low staffing numbers, but fiscal watch will not solve that. He asked the Committee and Department for their feelings on that.

Ms. Langley agreed with the Chairman, provided they continue trying to solve their staffing issues and continue with the plan. She would like the committee to recommend removal of fiscal watch.

Chairman Leavitt asked for a motion. Member Walker moved that the Committee recommend the Department to remove the City of North Las Vegas from fiscal watch. Member Ciesynski seconded the motion and commented that on part of that process he would like to have LV report back in a year for an update.

Ms. Langley noted that it was discussed at the last meeting the Committee wanted annual review of the City of North Las Vegas. She agreed that would be a good thing to put in the letter as well. Chairman Leavitt stated that he was about to make the same comment. He asked for a vote. The Committee unanimously voted in favor of the motion.

Member Walker congratulated North Las Vegas and the Department. She added they have come a long way and put in a lot of hard work. Ryann Judan stated that they appreciate that comment.

(c) 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 progress FY 17/18 Audit**
 - b) Status on monthly expenditure report to Nye County Commission**
 - c) Status of Treasurer's Office monthly bank reconcilements**
- 2. Department Analysis and Discussion of Possible Fiscal Watch Status**

Kelly Langley, with the Department, Savannah Rucker, John Prudhont, and John Koenig, with Nye County appeared.

Ms. Langley noted the Department received two requests for extensions for the annual audit, and has not received reconcilements since December of 2017. She noted the bank reconciliations the Department was receiving stopped by the time they were removed from fiscal watch and they are on their fourth Treasurer.

Ms. Rucker identified the timeline presented. She noted their audit would be presented to the Board of County Commissioners by January 31st, and that they are on track with the second request for extension. She explained the reason for the request was due to turn over in the Treasurer's office, further explaining that the Treasurer overseas multiple funds. She noted John Prudhont is the current Treasurer. Ms. Rucker stated that when she was before this Committee in April, the size of issues at the Treasurer's office were unknown to her. She stated Mr. Prudhont has been very proactive in his role and has been communicating with her, the Department, and bank representatives regularly.

Member Ciesynski asked if the auditor was doing the bank reconciliations now, she confirmed, and added that it allows whoever is put in that position a fresh start.

Chairman Leavitt referred to a phone conversation with Nye County last week, where he understood the bank reconciliations would be up to date as of April, and the auditor was performing that. Ms. Rucker confirmed, for fiscal year 19. He asked if they have procedures in place to prevent this in the future.

Mr. Prudhont explained that the auditor is only doing the reconciliations through April, which will still be six months behind. He is proposing the auditor continue to bring them current through December 31. He mentioned this is his 10th day in office, and he has already identified some issues. He would like the Committee to support his request to the Board of County Commissioners to have the auditor continue the reconciliations through December. He expressed his concerns that the previous Treasurers were in violation of NRS 354.380, and the moment he was put in office, he was in violation as well. He needs to know the time frame they will have to bring everything current. He noted during the phone conversation it was suggested that they could deliver a report, with the knowledge that the numbers will change once the reliable GL number is received.

Mr. Prudhont went on to explain some issues in the treasurer's office like the lack of cross training, lack of collaboration, no operation or procedure manuals, and lack of training of new employees. He plans to remedy these things. He noted they have new positions that have been approved and added that their employees are working on procedure manuals as well.

Chairman Leavitt suggested that Mr. Prudhont and Savannah Rucker have a meeting with the County Commission to come up with a plan. He thinks they should get formal approval for what they will do, and when they will do it. He would also like an agreement that the financial reports will be done on time, without extensions and suggested they get that in writing and return to this Committee with that agreement.

Mr. Koenig stated a report from the treasurer's office will be on the Commissioners Agenda. He also noted the three of them would figure it out.

Chairman Leavitt reiterated that this is a serious issue and suggested to the other board members to give Nye County until the next meeting before placing them back on fiscal watch.

Member Kohn-Cole wanted to mention that if Dan McArthur was doing their bank recs, he may not be independent to do an audit. She stressed that the bank recs were a priority and suggested that their plan include detailed timelines and status updates.

Ms. Rucker explained that Mr. McArthur is performing both duties, and she has been auditing his work, so they are hopeful to eliminate the risk. Member Kohn-Cole reiterated it is something they need to address.

Member Walker agreed with Member Kohn-Cole and added that it has been successful at least through June 30. She offered another option of contracting with their retired employee to return and train staff. She also stressed the importance of the bank reconciliations to be done and asked them to confirm if they will be up to date in April. Mr. Prudhont replied that it would be everything except their beginning balance numbers, adding it would depend how long it takes the auditor or other person to bring them up to date for the remaining six months. Member Walker asked if they will at least be doing things concurrently. Mr. Prudhont confirmed.

Member Walker added she likes the idea of a third party to do the bank reconciliation for a separation of duties. She suggested again for them to maybe bring back the former employee.

Mr. Prudhont explained they are looking into the format and are not sure what it will look like, they are thinking of working with Mr. McArthur's firm to utilize their process flows.

Member Rackley asked if they were using the encode software for their bank reconciliation. Ms. Rucker explained that the bank rec is an Excel Spreadsheet. Ms. Rackley recommended new software. Ms. Rucker agreed that it may help, Mr. Prudhont explained the systems they have, and that they are looking at other software. They are starting from scratch.

Member Rackley noted her county is in a similar situation, and would recommend the bank reconciliation component which will keep them from having to reenter the numbers. She also agreed with Ms. Walker about a third party. She noted that as the Treasurer it is his responsibility. Mr. Prudhont asked Member Rackley if she

has worked with Devnet, she replied that it is just now coming on, but thinks it will be an easier conversion. Lastly she commended Mr. Prudhont for taking the job.

Member Cronk agreed with the Chairman's comments on fiscal watch and understands that Nye County needs time to develop and implement a plan. He would like to see where they are in a couple months.

Member Ciesynski concurred with the board members comments and asked if the county has an internal auditor. Ms. Rucker responded that she performs the internal audits. He stated it is imperative as part of their plan that it be submitted for review and approval with the internal auditor. He questioned how far back the bank recs were not done, Ms. Rucker replied December of 2017.

Ms. Rucker explained that in the past information was not shared between the Treasurer's office and the Controller's office. She thinks they will be stronger when this is over.

Mr. Ciesynski referred to Mr. Koenig, reminding him the Board of County Commissioners needs to make sure these two entities are cross approving.

Member Walker suggested they use other counties as a resource, as well as the Department of Taxation.

Chairman Leavitt commented that the Committee has been fairly clear as to what needs to be done. He suggests over the next couple of months that Nye County keep Kelly and the Department informed as to where they are. They will look at this at the next meeting. The Committee wants them to be successful. He warned that if it looks like they will not be able to do it; the Committee will put them back on fiscal watch.

Member Marty Johnson requested they provide a list of the monthly reconciliations that were done, when they were done, and who did them to see that they are actually making progress and have staff to do the work. He would also like a copy of their Treasurer's report to see what it looks like and what information is being provided.

Chairman Leavitt would like to talk about their financial report at the next meeting also, and anything related to the financial report. In addition to the other things brought up by the Committee.

Mr. Prudhont mentioned there were issues in the past bank reconciliations. The challenge is they don't know if the formats or information was reliable. Chairman Leavitt noted the Committee wants to see them do it, and also stated for them to have their financial report completed. Mr. Prudhont noted he appreciates all of the insight.

Regarding Member Johnson's recommendation, Peter Keegan stated that pursuant to 364.675 if fiscal watch is imposed and they are unable to have the reconciliations completed, and the report Member Johnson recommended the county provide shows that they are not being completed, Nye County can provide a formal request to the Department for technical assistance and that can be provided to the Nevada Tax Commission for evaluations and recommendations. That has to come from the County Commission, but may be something the Commission wants to consider if the county is unable to get someone qualified to do the reconciliations.

Chairman Leavitt stated he doesn't believe they need a motion.

ITEM 4: For Possible Action: Subcommittee Report Regarding NAC 354.660

Member Walker noted they looked at doing a guidance letter and appreciates the subcommittee members and mentioned they had a good discussion during the meeting.

She explained that it is basically a calculation and they thought to put it in writing to help make it clear with examples. She noted there are two letters, one for the school district and one for the local governments. She mentioned she spoke with the Chairman and some of the subcommittee members prior to the meeting and Member Kohn-Cole suggested adding an effective date of today.

Ms. Langley asked if she would like to add "subject to future change by the legislature", along with the effective date. Member Walker agreed.

Member Walker would like the “same methodology shall be applied for the special revenue funds...” added to the local government letter as the 8.3% was not addressed in the special revenue funds. Ms. Langley commented that special revenue funds are not available for arbitration purposes. Member Walker told her to quote paragraph 2, adding that she should state the calculation methodology described above would also apply to the 8.3%, or something to that regard.

Member Ciesynski noted special revenue funds do not usually have property taxes in them and are typically grants. He can't think of a circumstance where that would happen.

Member Walker read section 2, and thinks it pertains more to cities and counties. Ms. Langley clarified this would be for the local government letter, Member Walker confirmed.

Chairman Leavitt asked for a motion. Member Walker moved to approve the proposed guidance letters concerning NAC 354.660 to the school districts as well as local governments, with the discussed changes. Member Ciesynski seconded the motion. He also thanked Member Walker for her leadership noting this is an important topic and he was very pleased with the work done.

The Committee voted, no members were opposed.

ITEM 5: For Possible Action: Discussion and Consideration of Proposed Guidance Letters Concerning

(a) Regarding NRS 354.624 Submittal of Audits, 354.626 Unlawful Expenditures, and NAC 354.410 Available Resources

Ms. Langley commented that she failed to present a draft at the last meeting.

Member Walker noted the draft looks great, and to add the effective date and it should mention that future legislation may change.

Member Kohn-Cole stressed the importance of the guidance letter, mentioning Las Vegas where grants were identified as a compliance issue, but they are not a finding.

Member Walker moved to approve the Guidance Letter with changes. Member Kohn-Cole seconded the motion. No members were opposed.

(b) Addressing Concerns Regarding NAC 354.660

Member Walker noted the effective date needs to be added and it should mention that future legislation may change.

Member Walker moved to approve the Guidance Letter with changes. Member Ciesynski seconded the motion. No members were opposed.

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

Ms. Langley noted the Indebtedness Report she provided to the Committee Members is available on the Department's website.

Jeffrey Mitchell, with the Department, noted the Department has a new Director, Melanie Young. He added that he plans to invite her to a future meeting.

Ms. Langley added that the Department has a lot of audits that have not come in and will update the Committee on that at the next meeting. They will have an audit from Nye County and the other local governments in Nye County.

ITEM 7: REVIEW AND APPROVAL OF MINUTES

(a) For Possible Action: CLGF Committee Meeting – August 28, 2018

(b) For Possible Action: CLGF Subcommittee Meeting – October 16, 2018

Chairman Leavitt asked for a motion on the minutes.

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

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

Chairman Leavitt would like Nye County to appear at the next meeting. Member Kohn Cole noted she would like copies of Nye County's audit.

Ms. Langley stated the Department should have audits in by then.

Chairman Leavitt requested the next meeting be in late April, after the 15th, but not the 1st of May.

Ms. Langley added the Department will provide copies of the legislative report.

Member Ciesynski added that the School District should have budgets by the end of April.

ITEM 9: PUBLIC COMMENT (See Note 2)

There were none.

ITEM 10: FOR POSSIBLE ACTION: ADJOURNMENT

Meeting was adjourned at 11:07 a.m.