

**PROPOSED REGULATION OF THE
COMMITTEE ON LOCAL GOVERNMENT FINANCE**

LCB File No. R135-10

September 9, 2010

EXPLANATION – Matter in *italics* is new; matter in brackets ~~omitted material~~ is material to be omitted.

AUTHORITY: §§1 and 2, NRS 350.009; §§3 and 4, NRS 354.107.

A REGULATION relating to local governmental financial administration; prescribing requirements for the conversion of a temporary interfund loan into a medium-term obligation; authorizing the Executive Director of the Department of Taxation to consider any applicable rate of interest when determining whether to approve a resolution for a medium-term obligation; revising the provisions governing temporary interfund loans; and providing other matters properly relating thereto.

Section 1. Chapter 350 of NAC is hereby amended by adding thereto a new section to read as follows:

1. Unless otherwise prohibited by law, the terms of a temporary interfund loan may be revised in such a manner as to convert the temporary interfund loan into a medium-term obligation if:

(a) The borrowing local government:

(1) Requests the revision at least 61 days before the date upon which the term of that temporary interfund loan expires;

(2) Complies with the provisions of NRS 350.087 to 350.095, inclusive, NAC 350.100 to 350.170, inclusive, and this section regarding that medium-term obligation; and

(3) Provides for the repayment of that medium-term obligation without adopting a budget that includes a negative fund balance in violation of subsection 5 of NRS 354.598;

(b) The accounting procedures of the borrowing local government comply with generally accepted accounting principles for government as prescribed by the Governmental Accounting Standards Board; and

(c) The lending local government agrees to the revision.

2. As used in this section:

(a) “Borrowing local government” means a local government or component unit of a local government which has obtained a temporary interfund loan.

(b) “Component unit” means a separate legal entity from a local government whose budget is included in the budget of the local government.

(c) “Lending local government” means a local government or component unit of a local government which has made a temporary interfund loan.

(d) “Temporary interfund loan” has the meaning ascribed to it in section 3 of this regulation.

Sec. 2. NAC 350.140 is hereby amended to read as follows:

350.140 1. If the money for a medium-term obligation is obtained from an existing fund of a local government, the resolution authorizing the medium-term obligation must specify whether interest will be charged and the rate thereof, if any. *If the resolution specifies such a rate of interest, the Executive Director of the Department of Taxation may, in determining whether to approve the resolution pursuant to NRS 350.089, consider whether that rate of interest reasonably reflects current market conditions and the duration of the medium-term obligation.*

2. If the resolution does not specify whether interest will be charged on the medium-term obligation, no interest may be charged.

Sec. 3. Chapter 354 of NAC is hereby amended by adding thereto a new section to read as follows:

1. Unless otherwise prohibited by law, the governing body of a local government may make a temporary interfund loan if:

(a) The governing body complies with the provisions of NRS 354.6118;

(b) Any money for the loan which is obtained from the proceeds from the sale of a bond is used only for the purposes set forth in the bond ordinances;

(c) The loan is not made from any debt service fund or from any fund established or maintained as a fund dedicated to the payment of bonded debt and interest;

(d) The resolution authorizing the loan specifies whether interest will be charged and the rate thereof, if any;

(e) It is agreed in writing that the loan must be repaid within 1 year after the date on which the loan was made;

(f) A copy of the resolution authorizing the loan is filed with the Department; and

(g) The governing body agrees to notify the Department when the loan has been repaid.

2. If the resolution authorizing the making of a temporary interfund loan does not specify whether interest will be charged as required pursuant to paragraph (d) of subsection 1, no interest may be charged.

3. As used in this section:

(a) "Component unit" means a separate legal entity from a local government whose budget is included in the budget of the local government.

(b) "Temporary interfund loan" means a loan of money for a term of less than 1 year from a fund to meet an immediate obligation of another fund in advance of receipt by the

borrowing fund of sufficient revenues from regular sources, including such a loan from a fund of:

(1) A local government to:

(I) Another fund of that local government;

(II) A fund of a component unit of that local government;

(III) A fund of another local government; or

(IV) A fund of a component unit of another local government; and

(2) A component unit of a local government to:

(I) Another fund of that component unit;

(II) A fund of another component unit of that local government;

(III) A fund of that local government or of another local government; or

(IV) A fund of a component unit of another local government.

Sec. 4. NAC 350.150 is hereby repealed.

TEXT OF REPEALED SECTION

350.150 Temporary interfund loan. (NRS 350.009)

1. The governing body of a local government may obtain a temporary interfund loan if:

(a) Any money for the loan which is obtained from the proceeds from the sale of a bond is

used only for the purposes set forth in the bond ordinances;

(b) The loan is not made from any debt service fund or from any fund established or maintained as a fund dedicated to the payment of bonded debt and interest;

(c) The resolution authorizing the loan specifies whether interest will be charged and the rate thereof, if any;

(d) It is agreed that the loan must be repaid within 12 months following the month in which the loan was made, unless the requirements for incurring a medium-term obligation have been met;

(e) A copy of the resolution authorizing the loan is filed with the Department of Taxation; and

(f) The governing body agrees to notify the Department of Taxation when the loan has been repaid.

2. If the resolution authorizing a temporary interfund loan does not specify whether interest will be charged as required pursuant to paragraph (c) of subsection 1, no interest may be charged.

3. As used in this section, “temporary interfund loan” means borrowing money for a short term from a fund to meet an immediate obligation of another fund in advance of receipt by the borrowing fund of sufficient revenues from regular sources.