

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

LCB File No. R003-20

Filed November 2, 2020

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

AUTHORITY: §1, NRS 354.107.

A REGULATION relating to local government finance; requiring the Department of Taxation to include a request for documentation in the notice that a local government has been placed on fiscal watch; authorizing the Department of Taxation and the Committee on Local Government Finance to request certain documentation from a local government that has been placed on fiscal watch; authorizing a local government to object to a request for documentation; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law requires the Department of Taxation, upon determining that certain financial conditions exist in a local government and after giving consideration to the severity of each such condition, to provide written notice to the local government, the Nevada Tax Commission and the Committee on Local Government Finance that the local government has been placed on fiscal watch by the Department. (NRS 354.675) This regulation requires the notice of fiscal watch to include a request for any documentation necessary for the Department to monitor and determine the extent of the financial conditions which warranted placing the local government on fiscal watch. This regulation also authorizes the Department and the Committee to make additional written requests for documentation during the period of the fiscal watch. This regulation requires a local government to prepare and provide any requested documentation as soon as practicable after receiving the request and establishes a procedure for a local government to object to all or part of a request for documentation.

Section 1. Chapter 354 of NAC is hereby amended by adding thereto a new section to read as follows:

1. The written notice of the Department that a local government has been placed on fiscal watch provided pursuant to NRS 354.675 must include, without limitation, a request for any documentation necessary to monitor and determine the severity of the conditions identified in

paragraphs (a) to (aa), inclusive, of subsection 2 of NRS 354.685 which the Department has found to exist in the local government. During the period the local government is on fiscal watch, the Department and the Committee may make additional written requests for documentation as needed to monitor such conditions or to provide technical financial assistance. The documentation which the Department and the Committee are authorized to request includes, without limitation:

(a) A projected timeline for the submittal of reports and documentation;

(b) Amended final budgets, including, without limitation, budgets impacted by recent legislation;

(c) Monthly projected expenditures and revenues by fund and fund type for a period of not less than 2 years;

(d) Monthly historical expenditures and revenues by fund and fund type for a period of not less than 2 years;

(e) Projected monthly cash flows for a period of not less than 2 years after the date that the local government is placed on fiscal watch;

(f) A projected timeline for an annual audit;

(g) A projected timeline for corrective actions on any audit findings as addressed in the final audit of the local government;

(h) Quarterly budget compared to actual revenues and expenditures by fund and fund type;

(i) Monthly bank reconciliations;

(j) A plan of action to correct the conditions noted in the written notice of fiscal watch;

(k) Proof that the notice of fiscal watch and a plan of corrective action were presented to the governing body of the local government as reflected in the minutes of the governing body, which proof must be provided in the form of such minutes;

(l) Live testimony of the officers of the local government, including, without limitation, elected officers, who shall appear before the Committee, if requested; and

(m) Other reports or documentation as deemed necessary by the Department or the Committee.

2. The written notice of the Department that a local government has been placed on fiscal watch provided pursuant to NRS 354.675 and any request for documentation from the Department or the Committee must be presented to the governing body of the local government at the next feasible meeting of the governing body after it is received, as reflected in the minutes of the governing body.

3. Except as otherwise provided in subsection 4, a local government which has been placed on fiscal watch shall prepare and provide any documentation requested pursuant to subsection 1 as soon as practicable after the receipt of the request.

4. Within 30 days after the receipt of a request for documentation pursuant to subsection 1, a local government may submit a written objection to the Department or the Committee, as applicable, stating the grounds upon which the local government objects to providing the requested documentation. Based upon the written objection, the Department or the Committee, as applicable, may modify or uphold the original request for documentation. The local government shall provide documentation based on the modified or upheld request as soon as practicable after the Department or the Committee decides on the objection. The decision of

the Department or the Committee, as applicable, is a final decision for the purposes of judicial review.