

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

LCB File No. R135-10

June 30, 2010

EXPLANATION – Matter in *bold italic* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §§1-7, NRS 354.107; NRS 233B.120

A REGULATION relating to local government finance; establishing limitations upon interfund loans and establishing certain requirements for the conversion of interfund loans into medium term obligations; and providing other matters relating properly thereto.

Section 1. Chapter 354 of NAC is hereby amended by adding thereto the provisions set forth as sections 1 to 7, inclusive, of this regulation.

Sec. 2. *As used in Sections 1 to 7, inclusive, of this regulation, unless the context otherwise requires, the words and terms defined in sections 3 to 4, inclusive, of this regulation, have the meanings ascribed to them in those sections.*

Sec. 3. *“Component unit of a local government” means a legally separate organization for which a primary government has oversight and must include as part of its financial reporting.*

Sec. 4. *“Conversion” means changing the terms of a temporary inter-fund loan from a short-term, temporary inter-fund loan to a medium-term obligation without repayment of the outstanding balance of the temporary inter-fund loan.*

Sec. 5. *“Temporary inter-fund loan” means lending 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. A temporary, inter-fund loan may be made*

between funds of a local government, component units of a local government or between local governments.

Sec. 6. *“Medium-term obligation” has the meaning ascribed to it in NRS 350.007.*

Sec. 7. *“Short-term” means a term of less than one year.*

Sec. 8. 1. *The governing body of a local government may make a temporary inter-fund 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 in writing between the parties that the loan must be repaid within 12 months following the month in which the loan was made;

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

(f) The governing body making the temporary inter-fund loan agrees to notify the Department of Taxation when the loan has been repaid.

Sec. 7. 1. *The governing body of the local government providing a short-term, temporary inter-fund loan may consider a request from the governing body of the local government or component unit receiving the loan to convert the short-term temporary inter-fund loan into a medium-term obligation.*

2. The local government receiving the proceeds of a medium term obligation pursuant to a request for conversion must:

(a) Maintain generally accepted accounting principles in compliance with Governmental Accounting Standards Board (GASB) pronouncements; and

(b) Must not budget a negative fund balance to pay for the loan, pursuant to the requirements of NRS 354.598(5).

3. If payment in full of any outstanding balance of the temporary inter-fund loan has not been made, the request to convert a temporary inter-fund loan to a medium term obligation must be made not later than 304 days from the date the short-term loan commenced. Any conversion to a medium term obligation must be made pursuant to the requirements of NRS 350.089 and NAC 350.100 through 350.170 and the requirements of subparagraph 2 of this regulation.

Sec. 8. NAC 350.140 is hereby amended to read as follows:

NAC 350.140 Interest. (NRS 350.087, 360.090)

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.

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

3. If the resolution specifies an interest rate, the Department may consider whether the rate of interest reasonably reflects current market conditions in view of the size of the government borrowing the money and the duration of the loan in determining whether the request for a medium-term obligation will be approved.