



STEVE SISOLAK
Governor
JAMES DEVOLLO
Chair, Nevada Tax Commission
MELANIE YOUNG
Executive Director

STATE OF NEVADA
DEPARTMENT OF TAXATION

Web Site: <http://tax.nv.gov>
1550 College Parkway, Suite 115
Carson City, Nevada 89706-7937
Phone: (775) 684-2000 Fax: (775) 684-2020

RENO OFFICE
4600 Kietzke Lane
Building L, Suite 235
Reno, Nevada 89502
Phone: (775) 687-9999
Fax: (775) 688-1303

LAS VEGAS OFFICE
Grant Sawyer Office Building, Suite 1300
555 E. Washington Avenue
Las Vegas, Nevada 89101
Phone: (702) 486-2300 Fax: (702) 486-2373

HENDERSON OFFICE
2550 Paseo Verde Parkway, Suite 180
Henderson, Nevada 89074
Phone: (702) 486-2300
Fax: (702) 486-3377

May 1, 2019

Mr. John Koenig, Chairman
Nye County Board of County Commissioners
P.O. Box 153
101 Radar Road
Tonopah, NV 89049

SENT BY CERTIFIED MAIL: 9171 9690 0935 0040 5042 99

**Notice of Fiscal Watch Status
NRS 354.675**

Dear Chairman Koenig:

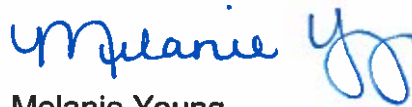
This notice is to advise you that the Department, in consultation with the Committee on Local Government Finance ("CLGF"), has identified several financial conditions exist in Nye County which are listed in NRS 354.685(2). The Department has considered the severity of each financial condition in the attached analysis, and has determined the financial conditions collectively are serious enough to warrant a "fiscal watch" status. This means that the financial condition of the County will be monitored until such conditions no longer exist or a recommendation is submitted to CLGF pursuant to NRS 354.685(2). The goal is to provide financial accountability and an early warning system about whether the County may be heading into financial trouble.

Under fiscal watch, the Department will ask for increased financial reporting, to include, but not limited to, a monthly bank reconciliation report along with monthly treasurer's reports, proof of submission to the Board of County Commissioners along with approval or acceptance by the Board of County Commissioners. *(July 2018 - December 2018 reports have been provided, and BOCC Acceptance forthcoming)*. Additionally, written status reports on how fiscal practices or budgetary conditions have been corrected and/or improved. Provide the written Policies & Procedures that have been put into place to address the internal control issues mentioned in the 2018 audit addressing the treasury financial functions along with the succession planning to prevent a future reoccurrence. A representative of the County's financial staff and BOCC will be asked to appear periodically at meetings of CLGF to give an update on the status of the financial condition of the County.

It is also important to understand that a fiscal watch does not place the County under state control. It is simply a way to monitor financial conditions so that the County, Department, CLGF, and the Tax Commission may timely address conditions should they worsen over time.

Should you have any questions or concerns about this, please contact Deputy Executive Director Jeffrey Mitchell at (775) 684-2095, or Kelly Langley, Supervisor of Local Government Finance at (775) 684-2073 or email her at klangley@tax.state.nv.us.

Sincerely,



Melanie Young
Executive Director

- cc: Timothy Sutton, Nye County Manager
Chris Arabia, Nye County District Attorney
Savannah Rucker, Nye County Comptroller
John W. Prudont, Nye County Treasurer
James Devolld, Chairman, Nevada Tax Commission
Marvin Leavitt, Chairman, Committee on Local Government Finance
Jeffrey Mitchell, Deputy Director, Department of Taxation
Kelly Langley, Supervisor, Local Government Finance Section,
Division of Local Government Services, Department of Taxation
Peter Keegan, Chief Deputy Attorney General

**Report on Nye County Financial Conditions
Attachment to Notice of Fiscal Watch Status
Dated May 1, 2019**

This report itemizes the financial conditions listed in NRS 354.685 observed in Nye County through April 15, 2019. Sources of information include the FY 2018 Audit Report, FY 2019 Budget, FY 2019 Quarterly Economic Reports, Nye County Treasurer Reports, Nye County Bank Reconciliation Reports, FY 2018 Corrective Action Plan, General Ledger Trial Balances, County Commission resolutions and minutes of meetings, and other documents as identified.

- o **NRS 354.685(2)(a) Required financial reports have not been filed or are consistently late.**

The FY 17/18 audit report reflects Material Weakness 2018-01 Pooled Cash and Investment Reconciliation of bank and investment account activity to cash and investment activity in the general ledger be prepared at least monthly. Reconciling items that require adjustment to the general ledger should be made timely. This is a repeat finding from prior years.

Errors were made when reconciling the checks written to the checks that cleared the bank . Errors were also made reconciling deposits posted to the general ledger to deposits listed on the bank and investment accounts. Bank and investment account reconciliations listing the differences between the general ledger cash and investment balances compared to the bank and investment statements were not completed.

- o **NRS 654.685(2)(f) *The local government has serious internal control problems noted in the audit report which have not been corrected.***

- o **NRS 354.280 requires the county treasurer shall:**

- **1. Keep a complete record of the source and amount of all receipts, apportionments to, payments from and balances in all funds; and**
- **2. Submit to the board of county commissioners each month at any regular or special meeting a statement containing the information required in subsection 1 for the previous month, giving the balance in each county, state, and specific fund, together with a statement of all money on deposit, outstanding checks against that money and cash on hand.**

The FY 17/18 audit report reflects Significant Deficiency 2018-02 Cross-Training Staff-Employee Succession Planning the employees were not cross trained within the County Treasurers Office in the performance of significant treasury financial functions. The monthly bank reconciliation was performed by the Deputy County Treasurer and the Deputy Treasurer resigned from employment effective 12/31/17 No other staff member had the training to perform the reconciliation function.

Significant progress has been made to bring the reconciliations up to date, and ensure monthly reporting is done in a timely manner, but evidence of necessary Policies and Procedures to ensure future success needs to be provided, and demonstrate monthly

reports to the board of county commissioners be provided in a timely and consistent manner.

- **NRS 354.685(2)(b) *The audit report reflects the unlawful expenditure of money in excess of the amount appropriated in violation of the provisions of NRS 354.626.***

The unlawful expenditure of money in excess of the amount appropriated in the General Fund, Special Revenue Funds, and Capital Project Funds as referenced on the FY17/18 audit report, *See page 326 of the Audit.* . Expenditures for Sheriff exceeded the authorized budget causing the public safety function to be over budget. Departmental expenditures were not provided to the Comptroller's office for audit and approval prior to year-end eliminating the possibility of correcting the budget over expenditure.

- **NRS 654.685(2)(c) *The audit report shows funds with deficit fund balances.***

The FY 17/18 audit report shows two funds had deficit including the Pahrump Ambulance Enterprise Fund (\$1,562,984) and the State and County Room Tax Special Revenue (\$5,602) over the past 3 years. The Auditor states that the deficit net position of the Pahrump Ambulance Fund is due to the implementation of GASB 68, which requires the County to record its proportionate share of the net pension liability of the Public Employees' Retirement System. The deficit fund balance in the State and County Room Tax Special Revenue Fund is due to an increase in services supplies over that past 3 years, deficit will be corrected the following year through a reduction of service and supply expenditures.