

ASSEMBLY BILL NO. 96—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF COUNTY FISCAL OFFICERS ASSOCIATION)

FEBRUARY 12, 2001

Referred to Committee on Government Affairs

SUMMARY—Revises certain provisions governing financial administration of local governments. (BDR 31-338)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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

AN ACT relating to the financial administration of local governments; authorizing additional types of investments by certain local governments; revising the authority of county treasurers to deposit county money in time accounts; revising the requirements for annual accountings by tax receivers to county auditors; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** Chapter 355 of NRS is hereby amended by adding thereto a
2 new section to read as follows:
3 1. *Except as otherwise provided in this section, a board of county*
4 *commissioners, a board of trustees of a county school district or the*
5 *governing body of an incorporated city may purchase for investment:*
6 (a) *Notes, bonds and other unconditional obligations for the payment*
7 *of money issued by corporations organized and operating in the United*
8 *States that:*
9 (1) *Are purchased from a registered broker-dealer;*
10 (2) *At the time of purchase have a remaining term to maturity of no*
11 *more than 5 years; and*
12 (3) *Are rated by a nationally recognized rating service as “A” or its*
13 *equivalent, or better,*
14 *except that investments purchased pursuant to this paragraph may not,*
15 *in aggregate value, exceed 20 percent of the total portfolio as determined*
16 *on the date of purchase, and if the rating of an obligation is reduced to a*
17 *level that does not meet the requirements of this paragraph, it must be*
18 *sold as soon as possible.*



1 (b) Collateralized mortgage obligations that are rated by a nationally
2 recognized rating service as "AAA" or its equivalent.

3 (c) Asset-backed securities that are rated by a nationally recognized
4 rating service as "AAA" or its equivalent.

5 2. Subsection 1 does not:

6 (a) Apply to a:

7 (1) Board of county commissioners of a county whose population is
8 less than 100,000;

9 (2) Board of trustees of a county school district in a county whose
10 population is less than 100,000; or

11 (3) Governing body of an incorporated city whose population is less
12 than 100,000,

13 unless the purchase is effected by the state treasurer pursuant to his
14 investment of a pool of money from local governments or by an
15 investment advisor who is registered with the Securities and Exchange
16 Commission and approved by the state board of finance.

17 (b) Authorize the investment of money administered pursuant to a
18 contract, debenture agreement or grant in a manner not authorized by
19 the terms of the contract, agreement or grant.

20 Sec. 2. NRS 355.170 is hereby amended to read as follows:

21 355.170 1. Except as otherwise provided in this section , ~~and in~~
22 NRS 354.750 ~~and~~ *and section 1 of this act*, a board of county
23 commissioners, a board of trustees of a county school district or the
24 governing body of an incorporated city may purchase for investment the
25 following securities and no others:

26 (a) Bonds and debentures of the United States, the maturity dates of
27 which do not extend more than 10 years after the date of purchase.

28 (b) Farm loan bonds, consolidated farm loan bonds, debentures,
29 consolidated debentures and other obligations issued by federal land banks
30 and federal intermediate credit banks under the authority of the Federal
31 Farm Loan Act, formerly 12 U.S.C. §§ 636 to 1012, inclusive, and §§ 1021
32 to 1129, inclusive, and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to
33 2259, inclusive, and bonds, debentures, consolidated debentures and other
34 obligations issued by banks for cooperatives under the authority of the
35 Farm Credit Act of 1933, formerly 12 U.S.C. §§ 1131 to 1138e, inclusive,
36 and the Farm Credit Act of 1971, 12 U.S.C. §§ 2001 to 2259, inclusive.

37 (c) Bills and notes of the United States Treasury, the maturity date of
38 which is not more than 10 years after the date of purchase.

39 (d) Obligations of an agency or instrumentality of the United States of
40 America or a corporation sponsored by the government, the maturity date
41 of which is not more than 10 years after the date of purchase.

42 (e) Negotiable certificates of deposit issued by commercial banks,
43 insured credit unions or savings and loan associations.

44 (f) Securities which have been expressly authorized as investments for
45 local governments or agencies, as defined in NRS 354.474, by any
46 provision of Nevada Revised Statutes or by any special law.

47 (g) *Nonnegotiable certificates of deposit issued by insured commercial*
48 *banks, insured credit unions or insured savings and loan associations,*
49 *except certificates that are not within the limits of insurance provided by*



1 *an instrumentality of the United States, unless those certificates are*
2 *collateralized in the same manner as is required for uninsured deposits*
3 *by a county treasurer pursuant to NRS 356.133. For the purposes of this*
4 *paragraph, any reference in NRS 356.133 to a "county treasurer" or*
5 *"board of county commissioners" shall be deemed to refer to the*
6 *appropriate financial officer or governing body of the county, school*
7 *district or city purchasing the certificates.*

8 (h) Subject to the limitations contained in NRS 355.177, negotiable
9 notes or short-time negotiable bonds issued by local governments of the
10 State of Nevada pursuant to NRS 350.091.

11 ~~(h)~~ (i) Bankers' acceptances of the kind and maturities made eligible
12 by law for rediscount with Federal Reserve Banks, and generally accepted
13 by banks or trust companies which are members of the Federal Reserve
14 System. Eligible bankers' acceptances may not exceed 180 days' maturity.
15 Purchases of bankers' acceptances may not exceed 20 percent of the
16 money available to a local government for investment as determined on the
17 date of purchase.

18 ~~(h)~~ (j) Obligations of state and local governments if:

19 (1) The interest on the obligation is exempt from gross income for
20 federal income tax purposes; and

21 (2) The obligation has been rated "A" or higher by one or more
22 nationally recognized bond credit rating agencies.

23 ~~(h)~~ (k) Commercial paper issued by a corporation organized and
24 operating in the United States or by a depository institution licensed by the
25 United States or any state and operating in the United States that:

26 (1) Is purchased from a registered broker-dealer;

27 (2) At the time of purchase has a remaining term to maturity of no
28 more than 270 days; and

29 (3) Is rated by a nationally recognized rating service as "A-1," "P-1"
30 or its equivalent, or better,

31 except that investments pursuant to this paragraph may not, in aggregate
32 value, exceed 20 percent of the total portfolio as determined on the date of
33 purchase, and if the rating of an obligation is reduced to a level that does
34 not meet the requirements of this paragraph, it must be sold as soon as
35 possible.

36 ~~(h)~~ (l) Money market mutual funds which:

37 (1) Are registered with the Securities and Exchange Commission;

38 (2) Are rated by a nationally recognized rating service as "AAA" or
39 its equivalent; and

40 (3) Invest only in ~~securities~~ :

41 (I) *Securities* issued by the Federal Government or agencies of the
42 Federal Government ~~for in repurchase agreements fully collateralized by~~
43 ~~such securities.~~;

44 (II) *Master notes, bank notes or other short-term commercial*
45 *paper rated by a nationally recognized rating service as "A-1," "P-1" or*
46 *its equivalent, or better, issued by a corporation organized and operating*
47 *in the United States or by a depository institution licensed by the United*
48 *States or any state and operating in the United States; or*



1 *(III) Repurchase agreements that are fully collateralized by the*
2 *obligations described in sub-subparagraphs (I) and (II).*

3 2. Repurchase agreements are proper and lawful investments of money
4 of a board of county commissioners, a board of trustees of a county school
5 district or a governing body of an incorporated city for the purchase or sale
6 of securities which are negotiable and of the types listed in subsection 1 if
7 made in accordance with the following conditions:

8 (a) The board of county commissioners, the board of trustees of the
9 school district or the governing body of the city shall designate in advance
10 and thereafter maintain a list of qualified counterparties which:

11 (1) Regularly provide audited and, if available, unaudited financial
12 statements;

13 (2) The board of county commissioners, the board of trustees of the
14 school district or the governing body of the city has determined to have
15 adequate capitalization and earnings and appropriate assets to be highly
16 credit worthy; and

17 (3) Have executed a written master repurchase agreement in a form
18 satisfactory to the board of county commissioners, the board of trustees of
19 the school district or the governing body of the city pursuant to which all
20 repurchase agreements are entered into. The master repurchase agreement
21 must require the prompt delivery to the board of county commissioners, the
22 board of trustees of the school district or the governing body of the city and
23 the appointed custodian of written confirmations of all transactions
24 conducted thereunder, and must be developed giving consideration to the
25 Federal Bankruptcy Act.

26 (b) In all repurchase agreements:

27 (1) At or before the time money to pay the purchase price is
28 transferred, title to the purchased securities must be recorded in the name
29 of the appointed custodian, or the purchased securities must be delivered
30 with all appropriate, executed transfer instruments by physical delivery to
31 the custodian;

32 (2) The board of county commissioners, the board of trustees of the
33 school district or the governing body of the city must enter a written
34 contract with the custodian appointed pursuant to subparagraph (1) which
35 requires the custodian to:

36 (I) Disburse cash for repurchase agreements only upon receipt of
37 the underlying securities;

38 (II) Notify the board of county commissioners, the board of
39 trustees of the school district or the governing body of the city when the
40 securities are marked to the market if the required margin on the agreement
41 is not maintained;

42 (III) Hold the securities separate from the assets of the custodian;
43 and

44 (IV) Report periodically to the board of county commissioners, the
45 board of trustees of the school district or the governing body of the city
46 concerning the market value of the securities;

47 (3) The market value of the purchased securities must exceed 102
48 percent of the repurchase price to be paid by the counterparty and the value
49 of the purchased securities must be marked to the market weekly;



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1 (4) The date on which the securities are to be repurchased must not
2 be more than 90 days after the date of purchase; and

3 (5) The purchased securities must not have a term to maturity at the
4 time of purchase in excess of 10 years.

5 3. The securities described in paragraphs (a), (b) and (c) of subsection
6 1 and the repurchase agreements described in subsection 2 may be
7 purchased when, in the opinion of the board of county commissioners, the
8 board of trustees of a county school district or the governing body of the
9 city, there is sufficient money in any fund of the county, the school district
10 or city to purchase those securities and the purchase will not result in the
11 impairment of the fund for the purposes for which it was created.

12 4. When the board of county commissioners, the board of trustees of a
13 county school district or governing body of the city has determined that
14 there is available money in any fund or funds for the purchase of bonds as
15 set out in subsection 1 or 2, those purchases may be made and the bonds
16 paid for out of any one or more of the funds, but the bonds must be
17 credited to the funds in the amounts purchased, and the money received
18 from the redemption of the bonds, as and when redeemed, must go back
19 into the fund or funds from which the purchase money was taken
20 originally.

21 5. Any interest earned on money invested pursuant to subsection 3,
22 may, at the discretion of the board of county commissioners, the board of
23 trustees of a county school district or governing body of the city, be
24 credited to the fund from which the principal was taken or to the general
25 fund of the county, school district or incorporated city.

26 6. The board of county commissioners, the board of trustees of a
27 county school district or governing body of an incorporated city may invest
28 any money apportioned into funds and not invested pursuant to subsection
29 3 and any money not apportioned into funds in bills and notes of the United
30 States Treasury, the maturity date of which is not more than 1 year after the
31 date of investment. These investments must be considered as cash for
32 accounting purposes, and all the interest earned on them must be credited
33 to the general fund of the county, school district or incorporated city.

34 7. This section does not authorize the investment of money
35 administered pursuant to a contract, debenture agreement or grant in a
36 manner not authorized by the terms of the contract, agreement or grant.

37 8. As used in this section:

38 (a) "Counterparty" means a bank organized and operating or licensed to
39 operate in the United States pursuant to federal or state law or a securities
40 dealer which is:

41 (1) A registered broker-dealer;

42 (2) Designated by the Federal Reserve Bank of New York as a
43 "primary" dealer in United States government securities; and

44 (3) In full compliance with all applicable capital requirements.

45 (b) "Repurchase agreement" means a purchase of securities by a board
46 of county commissioners, the board of trustees of a county school district
47 or the governing body of an incorporated city from a counterparty which
48 commits to repurchase those securities or securities of the same issuer,



1 description, issue date and maturity on or before a specified date for a
2 specified price.

3 **Sec. 3.** NRS 356.120 is hereby amended to read as follows:

4 356.120 ~~{With unanimous consent of his bondsmen, at}~~ A county
5 treasurer may:

6 1. When one or more insured banks, insured credit unions or insured
7 savings and loan associations are located in the county, deposit county
8 money in such insured banks, credit unions or savings and loan
9 associations in demand ~~{or time}~~ accounts.

10 2. When no such banks, credit unions or savings and loan associations
11 exist in the county, deposit county money in any insured bank, insured
12 credit union or insured savings and loan association in the State of Nevada
13 in demand ~~{or time}~~ accounts.

14 **Sec. 4.** NRS 356.125 is hereby amended to read as follows:

15 356.125 1. ~~{All money placed}~~ A county treasurer may deposit
16 county money in insured depository banks, insured credit unions or insured
17 savings and loan associations in time accounts ~~{may be deposited}~~ only
18 with the written consent of the board of county commissioners.

19 2. The time accounts so established are subject to the applicable
20 contract between the depository and the county.

21 3. The provisions of this section do not require any depository to
22 accept county deposits.

23 **Sec. 5.** NRS 356.140 is hereby amended to read as follows:

24 356.140 1. Demand ~~{or}~~ accounts and time accounts *respectively*
25 authorized by NRS 356.120 and 356.125 must be kept in the name of the
26 county in such manner as the board of county commissioners may
27 prescribe.

28 2. The balance in each such account, as certified to by the proper
29 officer of the bank, credit union or savings and loan association in which
30 the money is deposited, and by oath of the county treasurer, may be
31 accounted for by the county as cash.

32 **Sec. 6.** NRS 361.580 is hereby amended to read as follows:

33 361.580 1. ~~{On the third Monday in June}~~ *No later than July 31* of
34 each year following the redemption period as set forth in NRS 361.570, the
35 ex officio tax receiver shall attend at the office of the county auditor with
36 the assessment roll and shall render *for the period ending on June 30 of*
37 *that year* an account under oath to the county auditor as to the amount of
38 the taxes paid on the roll, the amount of taxes stricken by the board of
39 county commissioners and the amount of taxes delinquent on the roll.

40 2. The county auditor shall audit the account and make a final
41 settlement with the ex officio tax receiver of all taxes charged against him
42 on account of the assessment roll.

43 **Sec. 7.** This act becomes effective on July 1, 2001.

