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SENATE BILL NO. 317—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF NEVADA LEAGUE OF CITIES AND MUNICIPALITIES)

MARCH 12, 2001

Referred to Committee on Government Affairs

SUMMARY—Revises provisions governing local government finance. (BDR 31-353)

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

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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 local financial administration; revising provisions governing local government finance to comply with current generally accepted accounting and auditing standards; providing a procedure for the augmentation of budgets of local governments; requiring the department of taxation to create certain forms; requiring the state treasurer to withhold distributions from the local government tax distribution account from local governments under certain circumstances; 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 354 of NRS is hereby amended by adding thereto
2 the provisions set forth as sections 2 to 6, inclusive of this act.
3 **Sec. 2.** *“Fiduciary fund” means a fund used to report assets held in*
4 *a trustee or agency capacity for others and therefore cannot be used to*
5 *support the programs of the local government.*
6 **Sec. 3.** *“Proprietary fund” means an internal service fund or*
7 *enterprise fund.*
8 **Sec. 4. 1.** *The committee on local government finance, consisting*
9 *of 11 members, is hereby created.*
10 **2.** *The following associations shall each appoint three members to*
11 *serve on the committee:*
12 *(a) Nevada League of Cities;*
13 *(b) Nevada Association of County Commissioners; and*
14 *(c) Nevada School Trustees Association.*
15 **3.** *The Nevada state board of accountancy shall appoint two*
16 *members to serve on the committee.*
17 **4.** *Each appointment must be for a term of 3 years.*



1 5. All vacancies must be filled as soon as practicable by the
2 appointing authority of the person who vacated the seat.

3 6. If any of the associations listed in subsection 2 cease to exist, the
4 appointments required by subsection 2 must be made by the association's
5 successor in interest or, if there is no successor in interest, one each by
6 the other appointing authorities.

7 Sec. 5. 1. If anticipated resources actually available during a
8 budget period exceed those estimated, a local government may augment a
9 budget in the following manner:

10 (a) If it is desired to augment the appropriations of a fund to which ad
11 valorem taxes are allocated as a source of revenue, the governing body
12 shall, by majority vote of all members of the governing body, adopt a
13 resolution reciting the appropriations to be augmented, and the nature of
14 the unanticipated resources intended to be used for the augmentation.
15 Before the adoption of the resolution, the governing body shall publish
16 notice of its intention to act thereon in a newspaper of general
17 circulation in the county for at least one publication. No vote may be
18 taken upon the resolution until 3 days after the publication of the notice.

19 (b) If it is desired to augment the budget of any fund other than a
20 fund described in paragraph (a) or an enterprise or internal service fund,
21 the governing body shall adopt, by majority vote of all members of the
22 governing body, a resolution providing therefor at a regular meeting of
23 the body.

24 2. A budget augmentation becomes effective upon delivery to the
25 department of taxation of an executed copy of the resolution providing
26 therefor.

27 3. Nothing in NRS 354.470 to 354.626, inclusive, and sections 2 to 5,
28 inclusive, of this act, precludes the amendment of a budget by increasing
29 the total appropriation for any fiscal year to include a grant-in-aid, gift
30 or bequest to a local unit of government which is required to be used for
31 a specific purpose as a condition of the grant. Acceptance of such a grant
32 and agreement to the terms imposed by the granting agency or person
33 constitutes an appropriation to the purpose specified.

34 4. A local government need not file an augmented budget for an
35 enterprise or internal service fund with the department of taxation but
36 shall include the budget augmentation in the next quarterly report.

37 5. Budget appropriations may be transferred between functions,
38 funds or contingency accounts in the following manner, if such a
39 transfer does not increase the total appropriation for any fiscal year and
40 is not in conflict with other statutory provisions:

41 (a) The person designated to administer the budget for a local
42 government may transfer appropriations within any function.

43 (b) The person designated to administer the budget may transfer
44 appropriations between functions or programs within a fund, if:

45 (1) The governing body is advised of the action at the next regular
46 meeting; and

47 (2) The action is recorded in the official minutes of the meeting.



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1 (c) Upon recommendation of the person designated to administer the
2 budget, the governing body may authorize the transfer of appropriations
3 between funds or from the contingency account, if:

4 (1) The governing body announces the transfer of appropriations at
5 a regularly scheduled meeting and sets forth the exact amounts to be
6 transferred and the accounts, functions, programs and funds affected;

7 (2) The governing body sets forth its reasons for the transfer; and

8 (3) The action is recorded in the official minutes of the meeting.

9 6. In any year in which the legislature by law increases or decreases
10 the revenues of a local government, and that increase or decrease was
11 not included or anticipated in the local government's final budget as
12 adopted pursuant to NRS 354.598, the governing body of any such local
13 government may, within 30 days of adjournment of the legislative
14 session, file an amended budget with the department of taxation
15 increasing or decreasing its anticipated revenues and expenditures from
16 that contained in its final budget to the extent of the actual increase or
17 decrease of revenues resulting from the legislative action.

18 7. In any year in which the legislature enacts a law requiring an
19 increase or decrease in expenditures of a local government, which was
20 not anticipated or included in its final budget as adopted pursuant to
21 NRS 354.598, the governing body of any such local government may,
22 within 30 days of adjournment of the legislative session, file an amended
23 budget with the department of taxation providing for an increase or
24 decrease in expenditures from that contained in its final budget to the
25 extent of the actual amount made necessary by the legislative action.

26 8. An amended budget, as approved by the department of taxation, is
27 the budget of the local government for the current fiscal year.

28 9. On or before January 1 of each school year, each school district
29 shall adopt an amendment to its final budget after the count of pupils is
30 completed pursuant to subsection 1 of NRS 387.1233. The amendment
31 must reflect any adjustments necessary as a result of the completed count
32 of pupils.

33 **Sec. 6. 1. The purpose of NRS 354.655 to 354.725 is to provide**
34 **specific methods for the treatment of delinquent documents, technical**
35 **financial assistance and severe financial emergency.**

36 2. To accomplish the purpose set forth in subsection 1, the provisions
37 of NRS 354.655 to 354.725, inclusive, must be broadly and liberally
38 construed.

39 **Sec. 7.** NRS 354.470 is hereby amended to read as follows:

40 354.470 NRS 354.470 to 354.626, inclusive, **and sections 2 to 5,**
41 **inclusive, of this act,** may be cited as the Local Government Budget **and**
42 **Finance Act.**

43 **Sec. 8.** NRS 354.472 is hereby amended to read as follows:

44 354.472 1. The purposes of NRS 354.470 to 354.626, inclusive, are:

45 (a) To establish standard methods and procedures for the preparation,
46 presentation, adoption ~~1. administration and appraisal~~ **and administration**
47 of budgets of all local governments.



1 (b) To enable local governments to make financial plans for programs
2 of both current and capital expenditures and to formulate fiscal policies to
3 accomplish these programs.

4 (c) To provide for estimation and determination of revenues,
5 expenditures and tax levies.

6 (d) To provide for the control of revenues, expenditures and expenses in
7 order to promote prudence and efficiency in the expenditure of public
8 money.

9 (e) ~~To enable local governments to borrow money to meet emergency~~
10 ~~expenditures or expenses.~~

11 ~~—(f)~~ To provide specific methods enabling the public, taxpayers and
12 investors to be apprised of the financial preparations, plans, policies and
13 administration of all local governments.

14 2. For the accomplishment of these purposes the provisions of
15 NRS 354.470 to 354.626, inclusive, must be broadly and liberally
16 construed.

17 **Sec. 9.** NRS 354.475 is hereby amended to read as follows:

18 354.475 1. All special districts subject to the provisions of the Local
19 Government Budget *and Finance* Act with annual total expenditures of
20 less than ~~[\$100,000]~~ *\$200,000* may petition the department of taxation for
21 exemption from the requirements of the Local Government Budget *and*
22 *Finance* Act for the filing of certain budget documents and audit reports.
23 Such districts may further petition to ~~return to~~ *use* a cash ~~method~~ *basis*
24 of accounting. The minimum required of such districts is the filing with the
25 department of taxation of an annual budget on or before April 15 of each
26 year and the filing of quarterly reports in accordance with NRS 354.602.
27 Such petitions must be received by the department of taxation *on or* before
28 ~~[December 31]~~ *April 15* to be effective for the succeeding fiscal year or, in
29 a case of an annual audit exemption, to be effective for the current fiscal
30 year. A board of county commissioners may request the department of
31 taxation to audit the financial records of such an exempt district.

32 2. Such districts are exempt from all publication requirements of the
33 Local Government Budget *and Finance* Act, except that the department of
34 taxation by regulation shall require an annual publication of a notice of
35 budget adoption and filing. The department of taxation shall adopt
36 regulations pursuant to NRS 354.594 which are necessary to carry out the
37 purposes of this section.

38 3. The revenue recorded in accounts that are kept on a cash basis must
39 consist of cash items.

40 4. As used in this section, “cash basis” means the system of accounting
41 under which revenues are recorded only when received and expenditures or
42 expenses are recorded only when paid.

43 **Sec. 10.** NRS 354.476 is hereby amended to read as follows:

44 354.476 As used in NRS 354.470 to 354.626, inclusive, *and sections 2*
45 *to 5, inclusive, of this act*, unless the context otherwise requires, the words
46 and terms defined in NRS ~~[354.478 to 354.580, inclusive.]~~ *354.479 to*
47 *354.578, inclusive, and sections 2 and 3 of this act*, have the meanings
48 ascribed to them in those sections.



1 **Sec. 11.** NRS 354.486 is hereby amended to read as follows:
2 354.486 “Audit” means the examination and analysis of *financial*
3 *statements*, accounting procedures and other evidence made in conformity
4 with generally accepted auditing standards *in the United States* for one or
5 more of the following purposes:

6 1. Determining the propriety ~~[-legality]~~ and mathematical accuracy of
7 *material* financial transactions;

8 2. Ascertaining whether ~~[all]~~ financial transactions have been *properly*
9 recorded;

10 3. Ascertaining whether the financial statements prepared from the
11 accounting records fairly present *in all material respects* the financial
12 position and the results of financial operations ~~[of the constituent and~~
13 ~~balanced account groups]~~ *and cash flows* of the governmental unit in
14 accordance with generally accepted accounting principles *in the United*
15 *States* and on a basis which is consistent with that of the preceding year;

16 4. ~~[Determining whether]~~ *Evaluating internal accounting controls*
17 *over financial reporting of* the handling of the public money ~~[is adequately~~
18 ~~protected by internal accounting controls;]~~ *and public property;*

19 5. Determining whether the fiscal controls established by law and
20 administrative regulations are being properly applied;

21 6. Determining whether there is any evidence that fraud or dishonesty
22 has occurred in the handling of funds or property;

23 7. Determining whether the acquisition , *depreciation* and disposition
24 of property and equipment are accounted for in accordance with generally
25 accepted accounting principles ~~[-]~~ *in the United States;* and

26 8. Determining whether the removal of the uncollectible accounts
27 receivable from the records of a governmental unit is done in accordance
28 with the procedure established by law and administrative regulations.

29 **Sec. 12.** NRS 354.506 is hereby amended to read as follows:

30 354.506 “Contingency account” means an account showing ~~[assets or~~
31 ~~other resources which have]~~ *money that has* been appropriated to provide
32 for unforeseen expenditures or anticipated expenditures of an uncertain
33 amount.

34 **Sec. 13.** NRS 354.510 is hereby amended to read as follows:

35 354.510 “Debt service fund” means a fund to account for the
36 accumulation of resources for and the payment of principal or interest on
37 any general long-term debt ~~[-]~~ *or medium-term obligation.*

38 **Sec. 14.** NRS 354.518 is hereby amended to read as follows:

39 354.518 ~~[-Estimated]~~ *“Anticipated* revenue” means the amount of
40 revenue ~~[estimated]~~ *anticipated* to be collected or accrued during a given
41 period.

42 **Sec. 15.** NRS 354.520 is hereby amended to read as follows:

43 354.520 1. “Expenditure” means:

44 (a) If ~~[accounts]~~ *the accounting records* are kept on the ~~[accrual basis~~
45 ~~or the]~~ modified accrual basis, the cost of goods delivered or services
46 rendered, whether paid or unpaid . ~~[- any provision for retirement of debt~~
47 ~~which is not reported as a liability of the fund from which the debt is~~
48 ~~retired, and any capital outlays.]~~ *Expenditures are recognized in the*
49 *accounting period in which the fund liability is incurred, if measurable,*



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1 *except for unmatured interest on general long-term liabilities which*
2 *should be recognized when due.*

3 (b) If accounts are kept on the cash basis, only cash disbursements for
4 the purposes listed in paragraph (a).

5 2. Encumbrances are not considered expenditures.

6 **Sec. 16.** NRS 354.523 is hereby amended to read as follows:

7 354.523 “Expense” means any charge incurred, *under the accrual*
8 *basis*, whether paid or unpaid, for operation, maintenance or interest or any
9 other charge which is presumed to provide benefit in the current fiscal
10 period.

11 **Sec. 17.** NRS 354.524 is hereby amended to read as follows:

12 354.524 “Final budget” means the budget ~~that~~ *which* has been
13 adopted by a local governing body or adopted by default as defined by
14 NRS 354.470 to 354.626, inclusive, and ~~approved~~ *which has been*
15 *determined* by the department of taxation ~~for the ensuing fiscal year.~~ *to*
16 *be in compliance with applicable statutes and regulations.*

17 **Sec. 18.** NRS 354.528 is hereby amended to read as follows:

18 354.528 ~~“Fixed”~~ *“Capital”* assets” means assets of a long-term
19 character which are intended to continue to be held or used such as land,
20 buildings, machinery, furniture and other equipment.

21 **Sec. 19.** NRS 354.529 is hereby amended to read as follows:

22 354.529 “Function” means a group of related activities aimed at
23 accomplishing a major service or regulatory program for which a
24 governmental unit is responsible, ~~such as~~ *including, without limitation,*
25 *general government, public safety, public works, health, welfare, culture*
26 *and recreation, conservation of natural resources, urban redevelopment and*
27 *housing, economic development and assistance, for economic opportunity*
28 *and activities relating to the judiciary.*

29 **Sec. 20.** NRS 354.533 is hereby amended to read as follows:

30 354.533 “Fund balance” means the excess of assets over liabilities
31 ~~and reserves~~ in a governmental fund.

32 **Sec. 21.** NRS 354.5335 is hereby amended to read as follows:

33 354.5335 ~~“Fund for capital projects”~~ *“Capital projects fund”* means
34 a fund created to account for ~~all~~ resources used for the acquisition or
35 construction of designated ~~fixed~~ *capital* assets by a governmental unit
36 except those financed by proprietary or trust funds.

37 **Sec. 22.** NRS 354.535 is hereby amended to read as follows:

38 354.535 “General long-term debt” means debt which is legally payable
39 from general revenues and is backed by the full faith and credit of a
40 governmental unit. The term includes ~~debt represented by local~~
41 ~~government securities~~ *obligations* issued *by a local government* pursuant
42 to chapter 350 of NRS and ~~debt created for medium term obligations~~
43 ~~pursuant to NRS 350.085 to 350.095, inclusive.~~ *other long-term*
44 *liabilities, including, without limitation, accrued compensated absences*
45 *and claims for workers’ compensation.*

46 **Sec. 23.** NRS 354.562 is hereby amended to read as follows:

47 354.562 ~~“Revenue”~~ means the gross ~~increase in ownership~~
48 ~~equity during a designated period.~~

49 ~~2. If the accounts are kept on an accrual basis, this term designates:~~



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1 ~~— (a) Additions to assets which do not increase any liability or represent~~
2 ~~the recovery of an expenditure or contributions of fund capital in~~
3 ~~proprietary funds; and~~

4 ~~— (b) The cancellation of liabilities without a corresponding increase in~~
5 ~~other liabilities or a decrease in assets.~~

6 ~~— 3. If the accounts are kept on the modified accrual basis, the additions~~
7 ~~must be measurable and available to finance expenditures of the fiscal~~
8 ~~period.] *receipts and receivables of a local government derived from taxes*~~
9 ~~*and all other sources except from appropriations and allotments.*~~

10 **Sec. 24.** NRS 354.570 is hereby amended to read as follows:

11 354.570 “Special revenue fund” means a fund used to account for
12 specific revenue sources, other than ~~special assessments, expendable~~
13 ~~trusts, or~~ sources for major capital projects, which are restricted by law to
14 expenditure for specified purposes.

15 **Sec. 25.** NRS 354.5945 is hereby amended to read as follows:

16 354.5945 1. ~~On~~ *Except as otherwise provided in subsection 6, on*
17 or before July 1 of each year, each local government shall prepare, on a
18 form prescribed by the department of taxation for use by local
19 governments, a capital improvement plan for the ensuing 5 fiscal years.

20 2. Each local government must submit a copy of the capital
21 improvement plan of the local government to the:

22 (a) Department of taxation; and

23 (b) Debt management commission of the county in which the local
24 government is located.

25 3. Each local government must file a copy of the capital improvement
26 plan of the local government for public record and inspection by the public
27 in the offices of:

28 (a) The clerk or secretary of the governing body; and

29 (b) The county clerk.

30 4. The total amount of the expenditures contained in the capital
31 improvement plan of the local government for the next ensuing fiscal year
32 must equal the total amount of expenditures for capital outlay set forth in
33 the final budget of the local government for each fund listed in that budget.

34 *5. The capital improvement plan must reconcile the capital outlay in*
35 *each fund in the final budget for the first year of the capital improvement*
36 *plan to the final budget in the next ensuing fiscal year. The*
37 *reconciliation must identify the minimum level of expenditure for items*
38 *classified as capital assets in the final budget and the minimum level of*
39 *expenditure for items classified as capital projects in the capital*
40 *improvement plan. The reconciliation of capital outlay items in the*
41 *capital improvement plan must be presented on forms created and*
42 *distributed by the department of taxation.*

43 *6. Local governments that are exempt from the requirements of the*
44 *Local Government Budget and Finance Act pursuant to NRS 354.475*
45 *are not required to file a capital improvement plan.*

46 **Sec. 26.** NRS 354.596 is hereby amended to read as follows:

47 354.596 1. ~~On or before April 15 of each year, the~~ *The* officer
48 charged by law shall prepare, or the governing body shall cause to be
49 prepared, on appropriate forms prescribed by the department of taxation for



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1 the use of local governments, a tentative budget for the ensuing fiscal year.
2 The tentative budget ~~and a copy of the local government's report of its~~
3 ~~proposed expenditures~~ for the following fiscal year must be submitted to
4 the county auditor and filed for public record and inspection in the office
5 of:

- 6 (a) The clerk or secretary of the governing body; and
- 7 (b) The county clerk.

8 ~~[The report must be written in the same detail as its chart of accounts. The~~
9 ~~total amount of the expenditures contained in this report equal the total~~
10 ~~amount of expenditures contained in its tentative budget for each~~
11 ~~department and fund listed in that budget.]~~

12 2. *On or before April 15, a copy of the tentative budget must be*
13 *submitted:*

14 (a) *To the department of taxation; and*

15 (b) *In the case of school districts, to the department of education.*

16 3. At the time of filing the tentative budget, the governing body shall
17 give notice of the time and place of a public hearing on the tentative budget
18 and shall cause a notice of the hearing to be published once in a newspaper
19 of general circulation within the area of the local government not more
20 than 14 nor less than 7 days before the date set for the hearing. The notice
21 of public hearing must state:

22 (a) The time and place of the public hearing.

23 (b) That a tentative budget has been prepared in such detail and on
24 appropriate forms as prescribed by the department of taxation.

25 (c) The places where copies of the tentative budget are on file and
26 available for public inspection.

27 ~~3-1~~ 4. Budget hearings must be held:

28 (a) For county budgets, on the third Monday in May;

29 (b) For cities, on the third Tuesday in May;

30 (c) For school districts, on the third Wednesday in May; and

31 (d) For all other local governments, on the third Thursday in
32 May,

33 except that the board of county commissioners may consolidate the hearing
34 on all local government budgets administered by the board of county
35 commissioners with the county budget hearing.

36 ~~4. On or before April 15, a copy of the tentative budget and notice of~~
37 ~~public hearing must be submitted:~~

38 ~~— (a) To the department of taxation; and~~

39 ~~— (b) In the case of school districts, to the state department of education.]~~

40 5. The department of taxation shall examine the submitted documents
41 for compliance with law and with appropriate regulations and shall submit
42 to the governing body at least 3 days before the public hearing a written
43 certificate of compliance or a written notice of lack of compliance. The
44 written notice must indicate the manner in which the submitted documents
45 fail to comply with law or appropriate regulations.

46 6. Whenever the governing body receives from the department of
47 taxation a notice of lack of compliance, the governing body shall forthwith
48 proceed to amend the tentative budget to effect compliance with the law
49 and with the appropriate regulation.



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~~{7. If any change which results in an increase in the amount of revenue required from property taxes is made in a tentative budget after it has been submitted to the county auditor pursuant to subsection 1, the amended tentative budget must be submitted to the county auditor at least 30 days before it may be adopted as the final budget.}~~

Sec. 27. NRS 354.598 is hereby amended to read as follows:

354.598 1. At the time and place advertised for public hearing, or at any time and place to which the public hearing is from time to time adjourned, the governing body shall hold a public hearing on the tentative budget, at which time interested persons must be given an opportunity to be heard.

2. At the public hearing, the governing body shall indicate changes, if any, to be made in the tentative budget, and shall adopt a final budget by the favorable votes of a majority of all members of the governing body. Except as otherwise provided in this subsection, the final budget must be adopted on or before June 1 of each year. The final budgets of school districts must be adopted on or before June 8 of each year and must be accompanied by copies of the written report and written procedure prepared pursuant to subsection 3 of NRS 385.351. Should the governing body fail to adopt a final budget that complies with the requirements of law and the regulations of the department of taxation on or before the required date, the budget adopted and ~~approved~~ *used for certification of the combined ad valorem tax rate* by the department of taxation for the current year, adjusted as to content and rate in such a manner as the department of taxation may consider necessary, automatically becomes the budget for the ensuing fiscal year. When a budget has been so adopted by default, the governing body may not reconsider the budget without the express approval of the department of taxation. If the default budget creates a combined ad valorem tax rate in excess of the limit imposed by NRS 361.453, the Nevada tax commission shall adjust the budget as provided in NRS 361.4547 or 361.455.

3. The final budget must be certified by a majority of all members of the governing body and a copy of it, together with an affidavit of proof of publication of the notice of the public hearing, must be transmitted to the Nevada tax commission. If a tentative budget is adopted by default as provided in subsection 2, the clerk of the governing body shall certify the budget and transmit to the Nevada tax commission a copy of the budget, together with an affidavit of proof of the notice of the public hearing, if that notice was published. Certified copies of the final budget must be distributed as determined by the department of taxation.

4. Upon the adoption of the final budget or the amendment of the budget in accordance with ~~NRS 354.606,~~ *section 5 of this act*, the several amounts stated in it as proposed expenditures are appropriated for the purposes indicated in the budget.

5. No governing body may adopt any budget which appropriates for any fund any amount in excess of the budget resources of that fund.

~~6. {On or before January 1 of each school year, each school district shall adopt an amendment to its final budget after the count of pupils is completed pursuant to subsection 1 of NRS 387.1233. The amendment~~



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1 ~~must reflect any adjustments necessary as a result of the completed count~~
2 ~~of pupils. If a local government makes a change in its final budget~~
3 ~~which increases the combined ad valorem tax rate, the local government~~
4 ~~shall submit the amended final budget to the county auditor within 15~~
5 ~~days after making the change.~~

6 **Sec. 28.** NRS 354.59801 is hereby amended to read as follows:
7 354.59801 Each local government shall file in the office of the clerk or
8 secretary of its governing body, for public record and inspection:

- 9 1. A copy of its final budget; *and*
10 2. A copy of its final plan for capital improvements prepared pursuant
11 to NRS 354.5945 and, if applicable, NRS 350.0035 . ~~}; and~~
12 ~~3.—A report of its proposed expenditures for the following fiscal year,~~
13 ~~written in the same detail as its chart of accounts. The total amount of these~~
14 ~~expenditures must equal the total amount of expenditures contained in its~~
15 ~~final budget for each department and fund listed in that budget.}~~

16 **Sec. 29.** NRS 354.59811 is hereby amended to read as follows:
17 354.59811 1. Except as otherwise provided in NRS 354.59813,
18 354.59815, 354.5982, 354.5987, ~~354.59871,~~ 354.705, 354.723, 450.425,
19 450.760, 540A.265 and 543.600, for each fiscal year beginning on or after
20 July 1, 1989, the maximum amount of money that a local government,
21 except a school district, a district to provide a telephone number for
22 emergencies, or a redevelopment agency, may receive from taxes ad
23 valorem, other than those attributable to the net proceeds of minerals or
24 those levied for the payment of bonded indebtedness and interest thereon
25 incurred as general long-term debt of the issuer, or for the payment of
26 obligations issued to pay the cost of a water project pursuant to
27 NRS 349.950, or for the payment of obligations under a capital lease
28 executed before April 30, 1981, must be calculated as follows:

29 (a) The rate must be set so that when applied to the current fiscal year's
30 assessed valuation of all property which was on the preceding fiscal year's
31 assessment roll, together with the assessed valuation of property on the
32 central assessment roll which was allocated to the local government, but
33 excluding any assessed valuation attributable to the net proceeds of
34 minerals, assessed valuation attributable to a redevelopment area and
35 assessed valuation of a fire protection district attributable to real property
36 which is transferred from private ownership to public ownership for the
37 purpose of conservation, it will produce 106 percent of the maximum
38 revenue allowable from taxes ad valorem for the preceding fiscal year,
39 except that the rate so determined must not be less than the rate allowed for
40 the previous fiscal year, except for any decrease attributable to the
41 imposition of a tax pursuant to NRS 354.59813 in the previous year.

42 (b) This rate must then be applied to the total assessed valuation,
43 excluding the assessed valuation attributable to the net proceeds of
44 minerals and the assessed valuation of a fire protection district attributable
45 to real property which is transferred from private ownership to public
46 ownership for the purpose of conservation but including new real property,
47 possessory interests and mobile homes, for the current fiscal year to
48 determine the allowed revenue from taxes ad valorem for the local
49 government.



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1 2. As used in this section, "general long-term debt" does not include
2 debt created for medium-term obligations pursuant to NRS 350.085 to
3 350.095, inclusive.

4 **Sec. 30.** NRS 354.59817 is hereby amended to read as follows:

5 354.59817 1. In addition to the allowed revenue from taxes ad
6 valorem determined pursuant to NRS 354.59811, upon the approval of a
7 majority of the registered voters of a county voting upon the question, the
8 board of county commissioners may levy a tax ad valorem on all taxable
9 property in the county at a rate not to exceed 15 cents per \$100 of the
10 assessed valuation of the county. A tax must not be levied pursuant to this
11 section for more than 10 years.

12 2. The board of county commissioners shall direct the county treasurer
13 to distribute quarterly the proceeds of any tax levied pursuant to the
14 provisions of this section among the county and the cities and towns within
15 that county in the proportion that the supplemental city-county relief tax
16 distribution factor of each of those local governments for the 1990-1991
17 fiscal year bears to the sum of the supplemental city-county relief tax
18 distribution factors of all ~~the~~ the local governments in the county for the
19 1990-1991 fiscal year.

20 3. The board of county commissioners shall not reduce the rate of any
21 tax levied pursuant to the provisions of this section without the approval of
22 each of the local governments that receives a portion of the tax, except that,
23 if a local government declines to receive its portion of the tax in a
24 particular year the levy may be reduced by the amount that local
25 government would have received.

26 4. The governing body of each local government that receives a
27 portion of the revenue from the tax levied pursuant to this section shall
28 establish a separate ~~fund for~~ capital projects *fund* for the purposes set
29 forth in this section. All interest and income earned on the money in the
30 fund must also be deposited in the fund. The money in the fund may only
31 be used for:

32 (a) The purchase of capital assets including land, improvements to land
33 and major items of equipment;

34 (b) The construction or replacement of public works; and

35 (c) The renovation of existing governmental facilities, not including
36 normal recurring maintenance.

37 The money in the fund must not be used to finance the issuance or the
38 repayment of bonds or other obligations, including medium-term
39 obligations.

40 5. Money may be retained in the fund for not more than 10 years to
41 allow the funding of projects without the issuance of bonds or other
42 obligations. For the purpose of determining the length of time a deposit of
43 money has been retained in the fund, all money withdrawn from the fund
44 shall be deemed to be taken on a first-in, first-out basis. No money in the
45 fund at the end of the fiscal year may revert to any other fund, nor may the
46 money be a surplus for any other purpose than those specified in this
47 section.

48 6. The annual budget and audit report of each local government must
49 specifically identify this fund and must indicate in detail the projects that



1 have been funded with money from the fund. Any planned accumulation of
2 the money in the fund must also be specifically identified.

3 7. The projects on which money raised pursuant to this section will be
4 expended must be approved by the voters in the question submitted
5 pursuant to subsection 1 or in a separate question submitted on the ballot at
6 a primary, general or special election.

7 **Sec. 31.** NRS 354.5987 is hereby amended to read as follows:

8 354.5987 1. For the purposes of NRS 354.59811, the allowed
9 revenue from taxes ad valorem of any local government ~~is:~~

10 ~~— (a) Which comes into being on or after July 1, 1989, whether newly~~
11 ~~created, consolidated, or both; or~~

12 ~~— (b) Which was in existence before July 1, 1989, but did not receive~~
13 ~~revenue from taxes ad valorem, except any levied for debt service, for the~~
14 ~~fiscal year ending June 30, 1989;]~~

15 must be ~~initially~~ established by the Nevada tax commission ~~for the~~
16 *first fiscal year it is in existence.*

17 2. Except as otherwise provided in subsections 3 and ~~4,~~ 5, if the local
18 government for which the allowed revenue from taxes ad valorem is to be
19 established performs a function previously performed by another local
20 government, the total revenue allowed to all local governments for
21 performance of substantially the same function in substantially the same
22 geographical area must not be increased. To achieve this result, the Nevada
23 tax commission shall request the committee on local government finance to
24 prepare a statement of the prior cost of performing the function for each
25 predecessor local government. Within 60 days after receipt of such a
26 request, the committee on local government finance shall prepare a
27 statement pursuant to the request and transmit it to the Nevada tax
28 commission. The Nevada tax commission may accept, reject or amend the
29 statement of the committee on local government finance. The decision of
30 the Nevada tax commission is final. Upon making a final determination of
31 the prior cost of performing the function for each predecessor local
32 government, the Nevada tax commission shall:

33 (a) Determine the percentage that the prior cost of performing the
34 function for each predecessor local government is of the allowed revenue
35 from taxes ad valorem of that local government; and

36 (b) Apply the percentage determined pursuant to paragraph (a) to the
37 allowed revenue from taxes ad valorem and subtract that amount from the
38 allowed revenue from taxes ad valorem of the predecessor local
39 government.

40 The allowed revenue from taxes ad valorem attributable to the new local
41 government for the cost of performing the function must equal the total of
42 the amounts subtracted for the prior cost of performing the function from
43 the allowed revenue from taxes ad valorem of all ~~to~~ the predecessor local
44 governments.

45 3. If the local government for which the allowed revenue from taxes ad
46 valorem is to be established is an unincorporated town which provides a
47 service not previously provided by another local government, and the
48 board of county commissioners has included the unincorporated town in a
49 resolution adopted pursuant to the provisions of NRS 269.5755, the



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1 Nevada tax commission shall, if the unincorporated town does not receive
2 revenue from taxes ad valorem, establish the allowed revenue of the town
3 from taxes ad valorem at an amount which is in the same ratio to the
4 assessed valuation of the town as the combined allowed revenues from
5 taxes ad valorem are to the combined assessed valuations of the other
6 unincorporated towns included in the common levy.

7 4. ~~The allowed revenue from taxes ad valorem of an unincorporated~~
8 ~~town which provides a service not previously provided by another local~~
9 ~~government must be:~~

10 ~~—(a) Reduced by 75 percent for the first fiscal year following the fiscal~~
11 ~~year in which the allowed revenue from taxes ad valorem is established~~
12 ~~pursuant to subsection 3;~~

13 ~~—(b) Reduced by 50 percent for the second fiscal year following the fiscal~~
14 ~~year in which the allowed revenue from taxes ad valorem is established~~
15 ~~pursuant to subsection 3; and~~

16 ~~—(c) Reduced by 25 percent for the third fiscal year following the fiscal~~
17 ~~year in which the allowed revenue from taxes ad valorem is established~~
18 ~~pursuant to subsection 3.~~

19 ~~5. In any other case, except~~ *Except* as otherwise provided in
20 subsection ~~46.1~~ 5, the allowed revenue from taxes ad valorem of all local
21 governments in the county, determined pursuant to NRS 354.59811, must
22 not be increased, but the total allowed revenue from taxes ad valorem must
23 be reallocated among the local governments consistent with subsection 2 to
24 accommodate the amount established for the new local government
25 pursuant to subsection 1.

26 ~~46.1~~ 5. In establishing the allowed revenue from taxes ad valorem of a
27 county, city or town pursuant to this section, the Nevada tax commission
28 shall allow a tax rate for operating expenses of at least 15 cents per \$100 of
29 assessed valuation in addition to the tax rate allowed for any identified and
30 restricted purposes and for debt service.

31 ~~47.1~~ 6. As used in this section:

32 (a) "Predecessor local government" means a local government which
33 previously performed all or part of a function to be performed by the local
34 government for which the allowed revenue from taxes ad valorem is being
35 established pursuant to subsection 1.

36 (b) "Prior cost of performing the function" means the amount expended
37 by a local government to perform a function which is now to be performed
38 by another local government. The amount must be determined on the basis
39 of the most recent fiscal year for which reliable information is available.

40 **Sec. 32.** NRS 354.599 is hereby amended to read as follows:

41 354.599 ~~41.1~~ If the legislature directs one or more local
42 governments to:

43 ~~41(a)~~ 1. Establish a program or provide a service; or

44 ~~41(b)~~ 2. Increase a program or service already established which
45 requires additional funding,

46 and the expense required to be paid by each local government to establish,
47 provide or increase the program or service is \$5,000 or more, a specified
48 source for the additional revenue to pay the expense must be authorized by
49 a specific statute. The additional revenue may only be used to pay expenses



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1 directly related to the program or service. If a local government has money
2 from any other source available to pay such expenses, that money must be
3 applied to the expenses before any money from the revenue source
4 specified by statute.

5 ~~{2. In any year in which the legislature by law increases or decreases~~
6 ~~the revenues of a local government, and that increase or decrease was not~~
7 ~~included or anticipated in the local government's final budget as adopted~~
8 ~~pursuant to NRS 354.598, the governing body of any such local~~
9 ~~government may, before August 15 of the budget year, file an amended~~
10 ~~budget with the department of taxation increasing or decreasing its~~
11 ~~anticipated revenues and expenditures from that contained in its final~~
12 ~~budget to the extent of the actual increase or decrease of revenues resulting~~
13 ~~from the legislative action.~~

14 ~~— 3. In any year in which the legislature enacts a law requiring an~~
15 ~~increase or decrease in expenditures of a local government, which was not~~
16 ~~anticipated or included in its final budget as adopted pursuant to NRS~~
17 ~~354.598, the governing body of any such local government may, before~~
18 ~~August 15 of the budget year, file an amended budget with the department~~
19 ~~of taxation providing for an increase or decrease in expenditures from that~~
20 ~~contained in its final budget to the extent of the actual amount made~~
21 ~~necessary by the legislative action.~~

22 ~~— 4. The amended budget, as approved by the department of taxation, is~~
23 ~~the budget of the local government for the current fiscal year.~~

24 **Sec. 33.** NRS 354.600 is hereby amended to read as follows:

25 354.600 Each budget must include:

26 1. Detailed estimates of ~~{budget resources}~~ *revenues, balances in*
27 *other funds and other sources of financing* for the budget year classified
28 by funds and sources in a manner and on forms prescribed by the
29 department of taxation.

30 2. Detailed estimates of expenditures *and other uses of money* for the
31 budget year classified in a manner and on forms prescribed by the
32 department of taxation.

33 ~~{3. A separate statement of the anticipated expense, including~~
34 ~~personnel, for the operation and maintenance of each capital improvement~~
35 ~~to be constructed during the budget year and of each capital improvement~~
36 ~~constructed on or after July 1, 1998, which is to be used during that or a~~
37 ~~future budget year.~~

38 ~~— 4. A separate statement of the proposed source of funding for the~~
39 ~~operation and maintenance of each capital improvement, including~~
40 ~~personnel, to be constructed during that budget year.~~

41 **Sec. 34.** NRS 354.603 is hereby amended to read as follows:

42 354.603 1. The board of trustees of any county school district, the
43 board of hospital trustees of any county hospital or the board of trustees of
44 any consolidated library district or district library may establish and
45 administer separate accounts in:

46 (a) A bank whose deposits are insured by the Federal Deposit Insurance
47 Corporation;



1 (b) A credit union whose deposits are insured by the National Credit
2 Union Share Insurance Fund or by a private insurer approved pursuant to
3 NRS 678.755; or

4 (c) A savings and loan association whose deposits if made by the state,
5 a local government or an agency of either, are insured by the Federal
6 Deposit Insurance Corporation, or the legal successor of the Federal
7 Deposit Insurance Corporation,
8 for money deposited by the county treasurer which is by law to be
9 administered and expended by those boards.

10 2. The county treasurer shall transfer the money to a separate account
11 pursuant to subsection 1 when the following conditions are met:

12 (a) The board of trustees of the county school district, the board of
13 hospital trustees of the county hospital or the board of trustees of the
14 consolidated library district or district library adopts a resolution declaring
15 an intention to establish and administer a separate account in accordance
16 with the provisions of this section.

17 (b) The board of trustees of the county school district, the board of
18 hospital trustees of the county hospital or the board of trustees of the
19 consolidated library district or district library sends a certificate to the
20 county treasurer, the county auditor, the board of county commissioners
21 and, in the case of the board of trustees of the county school district, to the
22 department of education, attested by the secretary of the board, declaring
23 the intention of the board to establish and administer a separate account in
24 accordance with the provisions of this section.

25 (c) The board of hospital trustees of the county hospital or the board of
26 trustees of the consolidated library district or district library submits
27 monthly reports, listing all transactions involving the separate account, to
28 the county treasurer, the county auditor and the board of county
29 commissioners. The reports must be certified by the secretary of the board.
30 In addition, the board shall give a full account and record of all money in
31 such an account upon request of the board of county commissioners.

32 3. The separate account of the board of trustees of the county school
33 district established under the provisions of this section must be composed
34 of:

35 (a) The county school district fund; and

36 (b) The county school district building and sites fund.

37 4. The separate account established by the board of county hospital
38 trustees is designated the county hospital fund.

39 5. The separate account of the board of trustees of the consolidated
40 library district or district library established under the provisions of this
41 section must be composed of:

42 (a) The fund for the consolidated library or district library, as
43 appropriate; and

44 (b) The ~~fund for~~ capital projects *fund* of the consolidated library or
45 district library, as appropriate.

46 6. No expenditures from an account may be made in excess of the
47 balance of the account.

48 7. Such an account must support all expenditures properly related to
49 the purpose of the fund, excluding direct payments of principal and interest



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1 on general obligation bonds, and including, but not limited to, debt service,
2 capital projects, capital outlay and operating expenses.

3 8. The board of county commissioners, if it determines that there is
4 clear evidence of misuse or mismanagement of money in any separate
5 account, may order the closing of the account and the return of the money
6 to the county treasury to be administered in accordance with existing
7 provisions of law. The board of trustees of the county school district, the
8 board of hospital trustees of the county hospital or the board of trustees of
9 the consolidated library district or district library is entitled to a hearing
10 before the board of county commissioners.

11 **Sec. 35.** NRS 354.604 is hereby amended to read as follows:

12 354.604 Each local government shall maintain, according to its own
13 needs:

14 1. The following kinds of governmental funds:

- 15 (a) General fund;
16 (b) Special revenue fund;
17 (c) ~~Fund for capital projects; and~~ *Capital projects fund;*
18 (d) Debt service fund ~~;~~ *;* and
19 *(e) Permanent fund.*

20 2. The following kinds of proprietary funds:

- 21 (a) Enterprise fund; and
22 (b) Internal service fund.

23 3. ~~Trust and agency funds.~~

24 ~~4.~~ The following kinds of ~~account groups:~~

- 25 ~~(a) General fixed assets; and~~
26 ~~(b) General long term debt.~~ *fiduciary funds:*
27 *(a) Pension and other employee benefits funds;*
28 *(b) Investment trust funds;*
29 *(c) Private-purpose trust funds; and*
30 *(d) Agency funds.*

31 **Sec. 36.** NRS 354.608 is hereby amended to read as follows:

32 354.608 A contingency account may be established in any
33 governmental fund. The maximum amount which may be appropriated for
34 such a contingency account is 3 percent of the money otherwise
35 appropriated to the fund, exclusive of any amounts to be transferred to
36 other funds. No expenditure may be made directly from such a contingency
37 account, except as a transfer to the appropriate account, and then only in
38 accordance with the procedure established in ~~NRS 354.606.~~ *section 5 of*
39 *this act.*

40 **Sec. 37.** NRS 354.6105 is hereby amended to read as follows:

41 354.6105 1. A local government ~~in a county whose population is~~
42 ~~100,000 or more shall~~ *may* establish a fund for the extraordinary
43 maintenance, repair or improvement of capital projects. ~~The local~~
44 ~~government shall establish within that fund a separate account for each~~
45 ~~capital project it undertakes, except a capital project for the:~~

- 46 ~~(a) Construction of public roads;~~
47 ~~(b) Control of floods; or~~
48 ~~(c) Transmission or treatment of water, waste water or sewerage.~~



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1 ~~The local government shall allocate an amount equal to one half of 1~~
2 ~~percent of the total amount of the bonds sold for each capital project and~~
3 ~~deposit that amount in the separate account established for that capital~~
4 ~~project. The proceeds from the sale of those bonds or any other money of~~
5 ~~the local government may be used to carry out the provisions of this~~
6 ~~subsection.]~~

7 2. Any interest and income earned on the money in ~~[an account within]~~
8 the fund in excess of any amount which is reserved for rebate payments to
9 the Federal Government pursuant to 26 U.S.C. § 148, as amended, or is
10 otherwise required to be applied in a specific manner by the Internal
11 Revenue Code of 1986, as amended, must be credited to ~~[that account.]~~ *the*
12 *fund.*

13 3. The money in ~~[each account within]~~ the fund may be used only for
14 the extraordinary maintenance, repair or improvement of the capital
15 ~~[project or a facility which replaces that capital project.]~~ *projects or*
16 *facilities which replace capital projects of the local government that*
17 *made the deposits into the fund.* The money in ~~[each account within]~~ the
18 fund at the end of the fiscal year may not revert to any other fund or be a
19 surplus for any purpose other than the purpose specified in this subsection.
20 ~~[If the local government sells any capital project for which an account~~
21 ~~within the fund was established, any balance remaining in that account~~
22 ~~must be used to reduce the debt of the local government.~~

23 ~~4. The annual budget and audit report of the local government~~
24 ~~prepared pursuant to NRS 354.624 must specifically identify:~~

25 ~~—(a) Each fund and every account within that fund established pursuant~~
26 ~~to this section and indicate in detail any extraordinary maintenance, repairs~~
27 ~~or improvements of the capital project that have been paid for with money~~
28 ~~from the fund; and~~

29 ~~—(b) Any planned accumulation of money in each fund and every account~~
30 ~~within the fund.~~

31 ~~The audit report must include a statement by the auditor whether the local~~
32 ~~government has complied with the provisions of this subsection.]~~

33 **Sec. 38.** NRS 354.6115 is hereby amended to read as follows:

34 354.6115 1. The governing body of a local government may, by
35 resolution, establish a fund to stabilize the operation of the local
36 government and mitigate the effects of natural disasters.

37 2. The money in the fund must be used only:

38 (a) If the total actual revenue of the local government falls short of the
39 total anticipated revenue in the general fund for the fiscal year in which the
40 local government uses that money; or

41 (b) To pay expenses incurred by the local government to mitigate the
42 effects of a natural disaster.

43 The money in the fund at the end of the fiscal year may not revert to any
44 other fund or be a surplus for any purpose other than a purpose specified in
45 this subsection.

46 3. The money in the fund may not be used to pay expenses incurred to
47 mitigate the effects of a natural disaster until the governing body of the
48 local government issues a formal declaration that a natural disaster exists.

49 The governing body shall not make such a declaration unless a natural



1 disaster is occurring or has occurred. Upon the issuance of such a
2 declaration, the money in the fund may be used for the payment of the
3 following expenses incurred by the local government as a result of the
4 natural disaster:

5 (a) The repair or replacement of roads, streets, bridges, water control
6 facilities, public buildings, public utilities, recreational facilities and parks
7 owned by the local government and damaged by the natural disaster;

8 (b) Any emergency measures undertaken to save lives, protect public
9 health and safety or protect property within the jurisdiction of the local
10 government;

11 (c) The removal of debris from publicly or privately owned land and
12 waterways within the jurisdiction of the local government that was
13 undertaken because of the natural disaster;

14 (d) Expenses incurred by the local government for any overtime worked
15 by an employee of the local government because of the natural disaster or
16 any other extraordinary expenses incurred by the local government because
17 of the natural disaster; and

18 (e) The payment of any grant match the local government must provide
19 to obtain a grant from a federal disaster assistance agency for an eligible
20 project to repair damage caused by the natural disaster within the
21 jurisdiction of the local government.

22 4. The balance in the fund must not exceed 10 percent of the
23 expenditures from the general fund for the previous fiscal year, excluding
24 any federal funds expended by the local government.

25 5. The annual budget and audit report of the local government
26 prepared pursuant to NRS 354.624 must specifically identify the fund .
27 ~~and:~~

28 ~~—(a) Indicate in detail the manner in which money in the fund was~~
29 ~~expended during the previous fiscal year;~~

30 ~~—(b) Specify the amount of money, if any, that will be deposited in the~~
31 ~~fund for the next fiscal year; and~~

32 ~~—(c) Identify any planned accumulation of the money in the fund.]~~

33 6. The audit report *prepared for the fund* must include a statement by
34 the auditor whether the local government has complied with the provisions
35 of this ~~subsection.~~

36 ~~—6.] section.~~

37 7. *Any transfer of money from a fund established pursuant to this*
38 *section must be completed within 90 days after the end of the fiscal year*
39 *in which the natural disaster for which the fund was established occurs.*

40 8. As used in this section:

41 (a) “Grant match” has the meaning ascribed to it in NRS 353.2725.

42 (b) “Natural disaster” means a fire, flood, earthquake, drought or any
43 other occurrence that:

44 (1) Results in widespread or severe damage to property or injury to or
45 the death of persons within the jurisdiction of the local government; and

46 (2) As determined by the governing body of the local government,
47 requires immediate action to protect the health, safety and welfare of
48 persons residing within the jurisdiction of the local government.



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1 **Sec. 39.** NRS 354.6116 is hereby amended to read as follows:

2 354.6116 A local government, except a school district, that receives
3 revenue from taxes ad valorem from a lessee or user of property which is
4 taxable pursuant to NRS 361.157 or 361.159 shall deposit the revenue in or
5 transfer the revenue to one or more of the funds established by the local
6 government pursuant to NRS ~~354.611~~ 354.6113 or 354.6115 and use that
7 revenue only for the purposes authorized by those sections if the revenue
8 was received in:

- 9 1. A fiscal year after the fiscal year the taxes were owed; or
10 2. The fiscal year the taxes are owed and the taxes were excluded from
11 the estimate of revenue from taxes ad valorem for the local government
12 pursuant to NRS 354.597.

13 **Sec. 40.** NRS 354.6117 is hereby amended to read as follows:

14 354.6117 1. Except as otherwise provided in subsection 2, the total
15 amount of money which may be transferred in a fiscal year from the
16 general fund of a local government to the funds established pursuant to
17 NRS ~~354.611~~ 354.6113 and 354.6115 must not exceed 10 percent of the
18 total amount of the budgeted expenditures of the general fund, plus any
19 money transferred from the general fund, other than the money transferred
20 to those funds, for that fiscal year.

21 2. Any money that a local government, pursuant to NRS 354.6116,
22 deposits in or transfers to one or more of the funds established by the local
23 government pursuant to NRS ~~354.611~~ 354.6113 or 354.6115:

24 (a) Is not subject to the limitation on the amount of money that a local
25 government may transfer to those funds pursuant to subsection 1.

26 (b) Must not be included in the determination of the total amount of
27 money transferred to those funds for the purposes of the limitation set forth
28 in subsection 1.

29 **Sec. 41.** NRS 354.612 is hereby amended to read as follows:

30 354.612 1. A local government ~~may~~ **shall** establish by resolution
31 one or more ~~internal-service~~ funds. The resolution establishing the fund
32 must set forth in detail:

- 33 (a) The object or purpose of the fund;
34 (b) The resources to be used to establish the fund;
35 (c) The source or sources from which the fund will be replenished;
36 ~~and~~
37 (d) The method for controlling expenses and **establishing** revenues of
38 the **fund; and**

39 ~~(e) The method by which a determination will be made as to whether~~
40 ~~the balance, reserve or retained earnings of the fund are reasonable and~~
41 ~~necessary to carry out the purpose of the fund.~~

42 2. **Financial statements and other schedules required for funds must**
43 **be prepared in accordance with generally accepted accounting principles.**

44 3. **Upon adoption of a resolution establishing a fund, a local**
45 **government shall provide an executed copy of the resolution to the**
46 **department of taxation.**

47 4. In establishing ~~an internal-service~~ **a proprietary** fund, a local
48 government shall, besides furnishing working capital for the fund, provide
49 that one of its financial objectives is to recover the complete costs of



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1 operation of the activity being financed, including overhead, without
2 producing any significant amount of profit in the long run.

3 ~~{3. Financial statements and other schedules required for internal~~
4 ~~service funds must be prepared in accordance with generally accepted~~
5 ~~accounting principles.}~~

6 *5. Each enterprise fund established must account for all charges*
7 *properly related to the purpose of the fund, including, without limitation,*
8 *debt service, capital outlay and operating expenses. No transfer of equity*
9 *that may be made available to other funds or functions may be declared*
10 *in an enterprise fund until after all proper obligations have been charged*
11 *against the fund.*

12 **Sec. 42.** NRS 354.620 is hereby amended to read as follows:

13 354.620 Any unencumbered balance on ~~{a}~~ *an accrual or* modified
14 accrual basis or any unexpended balance on a cash basis remaining to the
15 credit of any appropriation shall lapse at the end of the fiscal year and shall
16 revert to the available balance of the fund from which appropriated.

17 **Sec. 43.** NRS 354.624 is hereby amended to read as follows:

18 354.624 1. Each local government shall provide for an annual audit
19 of all of its ~~};~~

20 ~~—(a) Funds;~~

21 ~~—(b) Account groups; and~~

22 ~~—(c) Separate accounts established pursuant to NRS 354.603.}~~ *financial*
23 *statements.*

24 A local government may provide for more frequent audits as it deems
25 necessary. Except as otherwise provided in subsection 2, each annual audit
26 must be concluded and the report of the audit submitted to the governing
27 body as provided in subsection ~~{5}~~ *6* not later than 5 months after the close
28 of the fiscal year for which the audit is conducted. An extension of this
29 time may be granted by the department of taxation to any local government
30 that submits an application for an extension to the department. If the local
31 government fails to provide for an audit in accordance with the provisions
32 of this section, the department of taxation shall cause the audit to be made
33 at the expense of the local government. All audits must be conducted by a
34 *certified* public accountant ~~{who is certified or registered}~~ or by a
35 partnership or professional corporation that is registered pursuant to
36 chapter 628 of NRS.

37 2. The annual audit of a school district must:

38 (a) Be concluded and the report submitted to the board of trustees as
39 provided in subsection ~~{5}~~ *6* not later than 4 months after the close of the
40 fiscal year for which the audit is conducted.

41 (b) If the school district has more than 150,000 pupils enrolled, include
42 an audit of the expenditure by the school district of ~~{all}~~ public money
43 used:

44 (1) To design, construct or purchase new buildings for schools or
45 related facilities;

46 (2) To enlarge, remodel or renovate existing buildings for schools or
47 related facilities; and

48 (3) To acquire sites for building schools or related facilities, or other
49 real property for purposes related to schools.



1 3. The governing body may, without requiring competitive bids,
2 designate the auditor or firm annually. The auditor or firm must be
3 designated *and notification of the auditor or firm designated must be sent*
4 *to the department of taxation* not later than 3 months before the close of
5 the fiscal year for which the audit is to be made.

6 4. Each annual audit must cover the business of the local government
7 during the full fiscal year. It must be a financial audit conducted in
8 accordance with generally accepted auditing standards ~~[-, including~~
9 ~~comment]~~ *in the United States, including, findings* on compliance with
10 statutes and regulations ~~[- recommendations for improvements and any~~
11 ~~other comments deemed pertinent by the auditor, including his]~~ *and an*
12 expression of opinion on the financial statements. The department of
13 taxation shall prescribe the form of the financial statements, and the chart
14 of accounts must be as nearly as possible the same as the chart that is used
15 in the preparation and publication of the annual budget. The report of the
16 audit must include:

17 (a) A schedule of all fees imposed by the local government which were
18 subject to the provisions of NRS 354.5989; *and*

19 (b) A comparison of the operations of the local government with the
20 approved budget, including a statement from the auditor that indicates
21 whether the governing body has taken action ~~{by adoption as~~
22 ~~recommended, by adoption with modifications or by rejection on any~~
23 ~~deficiencies in operations and recommendations for improvements which~~
24 ~~were noted or made in previous reports;~~
25 ~~-(c)-~~ *on the audit report for the prior year.*

26 5. *Each local government shall provide to its auditor:*

27 (a) A statement ~~{from the auditor that indicates}~~ *indicating* whether
28 each of the following funds established by the local government is being
29 used expressly for the purposes for which it was created, in the form
30 required by NRS 354.6241:

31 (1) An enterprise fund.
32 (2) An internal service fund.
33 (3) A ~~{trust or agency}~~ *fiduciary* fund.
34 (4) A self-insurance fund.
35 (5) A fund whose balance is required by law to be:

36 (I) Used only for a specific purpose other than the payment of
37 compensation to a bargaining unit, as defined in NRS 288.028; or
38 (II) Carried forward to the succeeding fiscal year in any designated
39 amount; and

40 ~~{(d)}~~ *(b)* A list and description of any property conveyed to a nonprofit
41 organization pursuant to NRS 244.287 or 268.058.

42 ~~{5. The recommendations and the summary of the narrative comments}~~

43 6. *The opinion and findings of the auditor* contained in the report of
44 the audit must be ~~{read in full}~~ *presented* at a meeting of the governing
45 body held not more than 30 days after the report is submitted to it.
46 Immediately thereafter, the entire report, together with ~~{any related letter to~~
47 ~~the governing body}~~ *the management letter* required by generally accepted
48 auditing standards *in the United States* or by regulations adopted pursuant
49 to NRS 354.594, must be filed as a public record with:



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- (a) The clerk or secretary of the governing body;
- (b) The county clerk;
- (c) The department of taxation; and
- (d) In the case of a school district, the department of education.

~~16-1~~ 7. *If an auditor finds evidence of fraud or dishonesty in the financial statements of a local government, the auditor shall report such evidence to the appropriate level of management in the local government.*

8. The governing body shall act upon the recommendations of the report of the audit within 3 months after receipt of the report, unless prompter action is required concerning violations of law or regulation, by setting forth in its minutes its intention to adopt the recommendations, to adopt them with modifications or to reject them for reasons shown in the minutes.

Sec. 44. NRS 354.6241 is hereby amended to read as follows:

354.6241 1. The statement required by paragraph ~~(e)~~ (a) of subsection ~~14~~ 5 of NRS 354.624 must indicate for each fund set forth in that paragraph:

(a) Whether the fund is being used in accordance with the provisions of this chapter.

(b) Whether the fund is being administered in accordance with generally accepted accounting procedures.

(c) Whether the reserve in the fund is limited to an amount that is reasonable and necessary to carry out the purposes of the fund.

(d) The sources of revenues available for the fund during the fiscal year, including transfers from any other funds.

(e) The statutory and regulatory requirements applicable to the fund.

(f) The balance and retained earnings of the fund.

2. To the extent that the reserve in any fund set forth in paragraph ~~(e)~~ (a) of subsection ~~14~~ 5 of NRS 354.624 exceeds the amount that is reasonable and necessary to carry out the purposes for which the fund was created, the reserve may be expended by the local government pursuant to the provisions of chapter 288 of NRS.

Sec. 45. NRS 354.626 is hereby amended to read as follows:

354.626 1. No governing body or member thereof, officer, office, department or agency may, during any fiscal year, expend or contract to expend any money or incur any liability, or enter into any contract which by its terms involves the expenditure of money, in excess of the amounts appropriated for that function, other than bond repayments, medium-term obligation repayments, and any other long-term contract expressly authorized by law. Any officer or employee of a local government who willfully violates NRS 354.470 to 354.626, inclusive, is guilty of a misdemeanor, and upon conviction thereof ceases to hold his office or employment. Prosecution for any violation of this section may be conducted by the attorney general, or, in the case of incorporated cities, school districts or special districts, by the district attorney.

2. Without limiting the generality of the exceptions contained in subsection 1, the provisions of this section specifically do not apply to:



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- 1 (a) Purchase of ~~comprehensive general liability policies~~ *coverage and*
2 *professional services directly related to a program* of insurance which
3 require an audit at the end of the term thereof.
- 4 (b) Long-term cooperative agreements as authorized by chapter 277 of
5 NRS.
- 6 (c) Long-term contracts in connection with planning and zoning as
7 authorized by NRS 278.010 to 278.630, inclusive.
- 8 (d) Long-term contracts for the purchase of utility service such as, but
9 not limited to, heat, light, sewerage, power, water and telephone service.
- 10 (e) Contracts between a local government and an employee covering
11 professional services to be performed within 24 months following the date
12 of such contract or contracts entered into between local government
13 employers and employee organizations.
- 14 (f) Contracts between a local government and any person for the
15 construction or completion of public works, money for which has been or
16 will be provided by the proceeds of a sale of bonds or medium-term
17 obligations and that are entered into by the local government after:
- 18 (1) Any election required for the approval of the bonds has been held;
19 (2) Any approvals by any other governmental entity required to be
20 obtained before the bonds or medium-term obligations can be issued have
21 been obtained; and
- 22 (3) The ordinance or resolution that specifies each of the terms of the
23 bonds or medium-term obligations, except those terms that are set forth in
24 paragraphs (a) to (e), inclusive, of subsection 2 of NRS 350.165, has been
25 adopted.
- 26 Neither the fund balance of a governmental fund nor the equity balance in
27 any proprietary fund may be used unless appropriated in a manner
28 provided by law.
- 29 (g) Contracts which are entered into by a local government and
30 delivered to any person solely for the purpose of acquiring supplies ,
31 *services*, and equipment necessarily ordered in the current fiscal year for
32 use in an ensuing fiscal year, and which, under the method of accounting
33 adopted by the local government, will be charged against an appropriation
34 of a subsequent fiscal year. Purchase orders evidencing such contracts are
35 public records available for inspection by any person on demand.
- 36 (h) Long-term contracts for the furnishing of television or FM radio
37 broadcast translator signals as authorized by NRS 269.127.
- 38 (i) The receipt and proper expenditure of money received pursuant to a
39 grant awarded by an agency of the Federal Government.
- 40 (j) The incurrence of obligations beyond the current fiscal year under a
41 lease or contract for installment purchase which contains a provision that
42 the obligation incurred thereby is extinguished by the failure of the
43 governing body to appropriate money for the ensuing fiscal year for the
44 payment of the amounts then due.
- 45 **Sec. 46.** NRS 354.655 is hereby amended to read as follows:
46 354.655 As used in NRS 354.655 to 354.725, inclusive, unless the
47 context requires otherwise:
- 48 1. "Committee" means the committee on local government finance.
49 2. "Department" means the department of taxation.



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1 3. "Executive director" means the executive director of the department
2 of taxation.

3 4. "Local government" means any local government subject to the
4 provisions of the Local Government Budget *and Finance* Act.

5 5. The words and terms defined in the Local Government Budget *and*
6 *Finance* Act have the meanings ascribed to them in that act.

7 **Sec. 47.** NRS 354.665 is hereby amended to read as follows:

8 354.665 1. If a local government does not file a statement, report or
9 other document as required by the provisions of NRS 350.0035, 354.602,
10 354.6025, 354.624, 354.6245 or 387.303 within 15 days after the day on
11 which it was due, the executive director shall notify the governing body of
12 the local government in writing that the report is delinquent. The
13 notification must be noted in the minutes of the first meeting of the
14 governing body following transmittal of the notification.

15 2. If the required report is not received by the department within 45
16 days after the day on which the report was due, the executive director shall
17 notify the governing body that the presence of a representative of the
18 governing body is required at the next practicable scheduled meeting of the
19 ~~{Nevada tax commission}~~ *committee* to explain the reason that the report
20 has not been filed. The notice must be transmitted to the governing body at
21 least 5 days before the date on which the meeting will be held.

22 3. If an explanation satisfactory to the ~~{Nevada tax commission}~~
23 *committee* is not provided at the meeting as requested in the notice and an
24 arrangement is not made for the submission of the report, the ~~{commission}~~
25 *committee* may instruct the executive director to request that the state
26 treasurer withhold from the local government the next distribution ~~{of the~~
27 ~~supplemental city county relief tax}~~ *from the local government tax*
28 *distribution account* if the local government is otherwise entitled to
29 receive such a distribution or of the Local School Support Tax if the local
30 government is a school district. Upon receipt of such a request, the state
31 treasurer shall withhold the payment and all future payments until he is
32 notified by the executive director that the report has been received by the
33 department.

34 **Sec. 48.** NRS 354.685 is hereby amended to read as follows:

35 354.685 1. If the department finds that one or more of the following
36 conditions exist in any local government, after giving consideration to the
37 severity of the condition, it may determine that one or more hearings
38 should be conducted to determine the extent of the problem and to
39 determine whether a recommendation of severe financial emergency
40 should be made to the Nevada tax commission:

41 (a) Required financial reports have not been filed or are consistently
42 late.

43 (b) The audit report reflects the unlawful expenditure of money in
44 excess of the amount appropriated in violation of the provisions of
45 NRS 354.626.

46 (c) The audit report shows funds with deficit fund balances.

47 (d) The local government has incurred debt beyond its ability to repay.

48 (e) The local government has not corrected violations of statutes or
49 regulations adopted pursuant thereto as noted in the audit report.



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- 1 (f) The local government has serious internal control problems noted in
2 the audit report which have not been corrected.
- 3 (g) The local government has a record of being late in its payments for
4 services and supplies.
- 5 (h) The local government has had insufficient cash to meet required
6 payroll payments in a timely manner.
- 7 (i) The local government has borrowed money or entered into long-term
8 lease arrangements without following the provisions of NRS or regulations
9 adopted pursuant thereto.
- 10 (j) The governing body of the local government has failed to correct
11 problems after it has been notified of such problems by the department.
- 12 (k) The local government has not separately accounted for its individual
13 funds as required by chapter 354 of NRS.
- 14 (l) The local government has invested its money in financial instruments
15 in violation of the provisions of chapter 355 of NRS.
- 16 (m) The local government is in violation of any covenant in connection
17 with any debt issued by the local government.
- 18 (n) The local government has not made bond and lease payments in
19 accordance with the approved payment schedule.
- 20 (o) The local government has failed to control its assets such that large
21 defalcations have occurred which have impaired the financial condition of
22 the local government.
- 23 (p) The local government has recognized sizeable losses as a result of
24 the imprudent investment of money.
- 25 (q) The local government has allowed its accounting system and
26 recording of transactions to deteriorate to such an extent that it is not
27 possible to measure accurately the results of operations or to ascertain the
28 financial position of the local government without a reconstruction of
29 transactions.
- 30 (r) The local government has consistently issued checks not covered by
31 adequate deposits.
- 32 (s) The local government has loaned and borrowed money between
33 funds without following the proper procedures.
- 34 (t) The local government has expended money in violation of the
35 provisions governing the expenditure of that money.
- 36 (u) Money restricted for any specific use has been expended in violation
37 of the terms and provisions relating to the receipt and expenditure of that
38 money.
- 39 (v) Money has been withheld in accordance with the provisions of
40 NRS 354.665.
- 41 (w) If the local government is a school district, a loan has been made
42 from the state permanent school fund to the school district pursuant to
43 NRS 387.526.
- 44 *(x) An employer in the county that accounts for more than 15 percent*
45 *of the employment in the county has closed or significantly reduced*
46 *operations.*
- 47 *(y) The local government has experienced a cumulative decline of 10*
48 *percent in population or assessed valuation for the past 2 years.*



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1 (z) *The ending balance in the general fund of the local government*
2 *has declined for the past 2 years.*

3 (aa) *The local government has failed to pay, in a timely manner,*
4 *contributions to the public employees' retirement system, workers'*
5 *compensation or payroll taxes or fails to pay, at any time, a payment*
6 *required pursuant to the Federal Insurance Contributions Act.*

7 2. *If the department determines that a condition listed in subsection 1*
8 *exists, the department shall:*

9 (a) *Notify the local government about the determination;*

10 (b) *Request from the local government any information that the*
11 *department deems to be appropriate to determine the extent of the*
12 *condition; and*

13 (c) *Require the local government to formulate a plan of corrective*
14 *action to mitigate the possible financial emergency.*

15 3. *Within 45 days after receiving notification pursuant to subsection*
16 *2, a local government shall submit to the committee any information*
17 *requested by the department and a plan of corrective action.*

18 4. *The committee shall:*

19 (a) *Review a plan of corrective action submitted by a local*
20 *government;*

21 (b) *Provide observations and recommendations for the local*
22 *government; and*

23 (c) *If the committee deems necessary, periodically review the status of*
24 *the financial operations of the local government.*

25 5. *The department shall report the observations and*
26 *recommendations of the committee to the Nevada tax commission.*

27 6. *In addition to any notice otherwise required, the department shall*
28 *give notice of any hearing held pursuant to subsection 1 to the governing*
29 *body of each local government whose jurisdiction overlaps with the*
30 *jurisdiction of the local government whose financial condition will be*
31 *considered at least 10 days before the date on which the hearing will be*
32 *held.*

33 ~~6-1~~ 7. *If the department, following the hearing or hearings,*
34 *determines that a recommendation of severe financial emergency should be*
35 *made to the Nevada tax commission, it shall make such a recommendation*
36 *as soon as practicable. Upon receipt of such a recommendation, the Nevada*
37 *tax commission shall hold a hearing at which the department, the local*
38 *government whose financial condition will be considered and each local*
39 *government whose jurisdiction overlaps with the jurisdiction of the local*
40 *government whose financial condition will be considered are afforded an*
41 *opportunity to be heard. If, after the hearing, the Nevada tax commission*
42 *determines that a severe financial emergency exists, it shall require by*
43 *order that the department take over the management of the local*
44 *government as soon as practicable.*

45 8. *As used in this section, "Federal Insurance Contributions Act"*
46 *means subchapter A of chapter 9 of the Internal Revenue Code of 1939*
47 *and subchapters A and B of chapter 21 of the Internal Revenue Code of*
48 *1954, as such codes have been and may from time to time be amended.*



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1 **Sec. 49.** NRS 354.695 is hereby amended to read as follows:
2 354.695 1. As soon as practicable after taking over the management
3 of a local government, the department shall, with the approval of the
4 committee:
5 (a) Establish and implement a management policy and a financing plan
6 for the local government;
7 (b) Provide for the appointment of a financial manager for the local
8 government who is qualified to manage the fiscal affairs of the local
9 government;
10 (c) Provide for the appointment of any other persons necessary to
11 enable the local government to provide the basic services for which it was
12 created in the most economical and efficient manner possible;
13 (d) Establish an accounting system and separate accounts in a bank or
14 credit union, if necessary, to receive and expend all money and assets of
15 the local government;
16 (e) Impose such hiring restrictions as deemed necessary after
17 considering the recommendations of the financial manager;
18 (f) Negotiate and approve all contracts entered into by or on behalf of
19 the local government before execution and enter into such contracts on
20 behalf of the local government as the department deems necessary;
21 (g) Negotiate and approve all collective bargaining contracts to be
22 entered into by the local government, except issues submitted to a
23 factfinder whose findings and recommendations are final and binding
24 pursuant to the provisions of the Local Government Employee-
25 Management Relations Act;
26 (h) Approve all expenditures of money from any fund or account and all
27 transfers of money from one fund to another;
28 (i) Employ such technicians as are necessary for the improvement of the
29 financial condition of the local government;
30 (j) Meet with the creditors of the local government and formulate a debt
31 liquidation program;
32 (k) Approve the issuance of bonds or other forms of indebtedness by the
33 local government;
34 (l) Discharge any of the outstanding debts and obligations of the local
35 government; and
36 (m) Take any other actions necessary to ensure that the local
37 government provides the basic services for which it was created in the most
38 economical and efficient manner possible.
39 2. The department may provide for reimbursement from the local
40 government for the expenses ~~+++~~ *the department* incurs in managing the
41 local government. If such reimbursement is not possible, the department
42 may request an allocation by the interim finance committee from the
43 contingency fund pursuant to NRS 353.266, 353.268 and 353.269.
44 3. The governing body of a local government which is being managed
45 by the department pursuant to this section may make recommendations to
46 the department or the financial manager concerning the management of the
47 local government.



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1 4. Each state agency, board, department, commission, committee or
2 other entity of the state shall provide such technical assistance concerning
3 the management of the local government as is requested by the department.

4 5. The department may delegate any of the powers and duties imposed
5 by this section to the financial manager appointed pursuant to paragraph
6 (b) of subsection 1.

7 6. Except as otherwise provided in NRS 354.723 and 450.760, once
8 the department has taken over the management of a local government
9 pursuant to the provisions of subsection 1, that management may only be
10 terminated pursuant to NRS 354.725.

11 **Sec. 50.** NRS 354.705 is hereby amended to read as follows:

12 354.705 1. As soon as practicable after the department takes over the
13 management of a local government, the executive director shall:

14 (a) Determine the total amount of expenditures necessary to allow the
15 local government to perform the basic functions for which it was created;

16 (b) Determine the amount of revenue reasonably expected to be
17 available to the local government; and

18 (c) Consider any alternative sources of revenue available to the local
19 government.

20 2. If the executive director determines that the available revenue is not
21 sufficient to provide for the payment of required debt service and operating
22 expenses, he may submit his findings to the committee who shall review
23 the determinations made by the executive director. If the committee
24 determines that additional revenue is needed, it shall prepare a
25 recommendation to the Nevada tax commission as to which one or more of
26 the following additional taxes or charges should be imposed by the local
27 government:

28 (a) The levy of a property tax up to a rate which when combined with
29 all other overlapping rates levied in the state does not exceed \$4.50 on each
30 \$100 of assessed valuation.

31 (b) An additional tax on transient lodging at a rate not to exceed 1
32 percent of the gross receipts from the rental of transient lodging within the
33 boundaries of the local government upon all persons in the business of
34 providing lodging. Any such tax must be collected and administered in the
35 same manner as all other taxes on transient lodging are collected by or for
36 the local government.

37 (c) Additional service charges appropriate to the local government.

38 (d) If the local government is a county or has boundaries that are
39 conterminous with the boundaries of the county:

40 (1) An additional tax on the gross receipts from the sale or use of
41 tangible personal property not to exceed one quarter of 1 percent
42 throughout the county. The ordinance imposing any such tax must include
43 provisions in substance which comply with the requirements of subsections
44 2 to 5, inclusive, of NRS 377A.030.

45 (2) An additional governmental services tax of not more than 1 cent
46 on each \$1 of valuation of the vehicle for the privilege of operating upon
47 the public streets, roads and highways of the county on each vehicle based
48 in the county except those vehicles exempt from the governmental services
49 tax imposed pursuant to chapter 371 of NRS or a vehicle subject to NRS



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1 706.011 to 706.861, inclusive, which is engaged in interstate or intercounty
2 operations. As used in this subparagraph, “based” has the meaning ascribed
3 to it in NRS 482.011.

4 3. Upon receipt of the plan from the committee, *a panel consisting of*
5 *three members of the Nevada tax commission appointed by the Nevada*
6 *tax commission and three members of the committee appointed by the*
7 *committee* shall hold a public hearing at a location within the boundaries of
8 the local government in which the severe financial emergency exists after
9 giving public notice of the hearing at least 10 days before the date on
10 which the hearing will be held. In addition to the public notice, the
11 ~~the Nevada tax commission~~ *panel* shall give notice to the governing body of
12 each local government whose jurisdiction overlaps with the jurisdiction of
13 the local government in which the severe financial emergency exists.

14 4. After the public hearing ~~is~~ *conducted pursuant to subsection 3*, the
15 Nevada tax commission may adopt the plan as submitted or adopt a revised
16 plan. Any plan adopted pursuant to this section must include the duration
17 for which any new or increased taxes or charges may be collected which
18 must not exceed 5 years.

19 5. Upon adoption of the plan by the Nevada tax commission, the local
20 government in which the severe financial emergency exists shall impose or
21 cause to be imposed the additional taxes and charges included in the plan
22 for the duration stated in the plan or until the severe financial emergency
23 has been determined by the Nevada tax commission to have ceased to
24 exist.

25 6. The allowed revenue from taxes ad valorem determined pursuant to
26 NRS 354.59811 does not apply to any additional property tax levied
27 pursuant to this section.

28 7. *If a plan fails to satisfy the expenses of the local government to the*
29 *extent expected, the committee shall report such failure to:*

30 (a) *The county for consideration of absorption of services; or*
31 (b) *If the local government is a county, to the next regular session of*
32 *the legislature.*

33 **Sec. 51.** NRS 4.035 is hereby amended to read as follows:

34 4.035 1. The court administrator shall, at the direction of the chief
35 justice of the supreme court, arrange for the giving of instruction, at the
36 National Judicial College in Reno, Nevada, or elsewhere:

37 (a) In court procedure, recordkeeping and the elements of substantive
38 law appropriate to a justice’s court, to each justice of the peace who is first
39 elected or appointed to office after July 1, 1971, and to other justices of the
40 peace who so desire and who can be accommodated, between each general
41 election and January 1 next following.

42 (b) In statutory amendments and other developments in the law
43 appropriate to a justice’s court, to all justices of the peace at least once
44 each year.

45 2. Each county shall pay to the supreme court the county’s pro rata
46 share of the costs of that instruction as budgeted for pursuant to the Local
47 Government Budget *and Finance* Act.



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1 3. The supreme court shall deposit with the state treasurer, for credit to
2 the appropriate account of the supreme court, all money received pursuant
3 to subsection 2.

4 **Sec. 52.** NRS 5.025 is hereby amended to read as follows:

5 5.025 1. The court administrator shall, at the direction of the chief
6 justice of the supreme court, arrange for the giving of instruction, at the
7 National Judicial College in Reno, Nevada, or elsewhere:

8 (a) In court procedure, recordkeeping and the elements of substantive
9 law appropriate to a municipal court, to each municipal judge who is first
10 elected or appointed to office after July 1, 1971, and to other such judges
11 who so desire and who can be accommodated, between each election
12 designated for the election of such judges and the date of entering office.

13 (b) In statutory amendments and other developments in the law
14 appropriate to a municipal court, to all such judges at convenient intervals.

15 2. Each city shall pay to the supreme court the city's pro rata share of
16 the costs of such instruction as budgeted for pursuant to the Local
17 Government Budget *and Finance* Act.

18 3. The supreme court shall deposit with the state treasurer, for credit to
19 the appropriate account of the supreme court, all money received pursuant
20 to subsection 2.

21 **Sec. 53.** NRS 41.075 is hereby amended to read as follows:

22 41.075 No cause of action may be brought against the committee on
23 local government finance created pursuant to ~~NRS 266.0165,~~ *section 4 of*
24 *this act*, or any of its members, which is based upon:

25 1. Any act or omission in the execution of, or otherwise in conjunction
26 with, the execution of NRS 354.655 to 354.725, inclusive, or any policy or
27 plan adopted pursuant thereto, whether or not such statute, policy or plan is
28 valid, if the statute, policy or plan has not been declared invalid by a court
29 of competent jurisdiction; or

30 2. The exercise or performance or the failure to exercise or perform a
31 discretionary function or duty on the part of the committee on local
32 government finance or member thereof, whether or not the discretion
33 involved is abused.

34 **Sec. 54.** NRS 218.53881 is hereby amended to read as follows:

35 218.53881 1. There is hereby established a legislative committee to
36 study the distribution among local governments of revenue from state and
37 local taxes consisting of:

38 (a) Two members appointed by the majority leader of the senate from
39 the membership of the senate standing committee on government affairs
40 during the immediately preceding session of the legislature;

41 (b) Two members appointed by the majority leader of the senate from
42 the membership of the senate standing committee on taxation during the
43 immediately preceding session of the legislature;

44 (c) Two members appointed by the speaker of the assembly from the
45 membership of the assembly standing committee on government affairs
46 during the immediately preceding session of the legislature; and

47 (d) Two members appointed by the speaker of the assembly from the
48 membership of the assembly standing committee on taxation during the
49 immediately preceding session of the legislature.



1 2. The committee shall consult with an advisory committee consisting
2 of the executive director of the department of taxation and 10 members
3 who are representative of various geographical areas of the state and are
4 appointed for terms of 2 years commencing on July 1 of each odd-
5 numbered year as follows:

6 (a) One member of the committee on local government finance created
7 pursuant to ~~NRS 266.0165~~ *section 4 of this act* appointed by the Nevada
8 League of Cities;

9 (b) One member of the committee on local government finance created
10 pursuant to ~~NRS 266.0165~~ *section 4 of this act* appointed by the Nevada
11 Association of Counties;

12 (c) One member of the committee on local government finance created
13 pursuant to ~~NRS 266.0165~~ *section 4 of this act* appointed by the Nevada
14 School Trustees Association;

15 (d) Three members involved in the government of a county appointed
16 by the Nevada Association of Counties;

17 (e) Three members involved in the government of an incorporated city
18 appointed by the Nevada League of Cities; and

19 (f) One member who is a member of a board of trustees for a general
20 improvement district appointed by the legislative
21 commission.

22 The members of the advisory committee are nonvoting members of the
23 committee. When meeting as the advisory committee, the members shall
24 comply with the provisions of chapter 241 of NRS.

25 3. The legislative members of the committee shall elect a chairman
26 from one house of the legislature and a vice chairman from the other house.
27 Each chairman and vice chairman holds office for a term of 2 years
28 commencing on July 1 of each odd-numbered year.

29 4. Any member of the committee who is not a candidate for reelection
30 or who is defeated for reelection continues to serve until the next session of
31 the legislature convenes.

32 5. Vacancies on the committee must be filled in the same manner as
33 original appointments.

34 6. The committee shall report annually to the legislative commission
35 concerning its activities and any recommendations.

36 **Sec. 55.** NRS 244A.615 is hereby amended to read as follows:

37 244A.615 As provided by law, the county fair and recreation board
38 shall comply with the provisions of the Local Government Budget *and*
39 *Finance Act*.

40 **Sec. 56.** NRS 271.536 is hereby amended to read as follows:

41 271.536 In lieu of issuing bonds or interim securities to defray the cost
42 of an improvement to be constructed by way of a special improvement
43 district, the governing body may advance money to cover that cost from:

44 1. The general fund of the municipality, if the cost of the improvement
45 does not exceed \$300,000; or

46 2. ~~{An internal service}~~ *A proprietary* fund, if the municipality has
47 established ~~{an internal service}~~ *a proprietary* fund for that purpose
48 pursuant to NRS 354.612.



1 **Sec. 57.** NRS 278.806 is hereby amended to read as follows:
2 278.806 1. The agency shall establish and maintain an office within
3 the state. The agency may rent property and equipment. Every plan,
4 ordinance and other record of the agency which is of such nature as to
5 constitute a public record under the law of the State of Nevada shall be
6 open to inspection and copying during regular office hours.

7 2. The agency shall be deemed to be a local government for the
8 purposes of the Local Government Budget *and Finance* Act.

9 **Sec. 58.** NRS 360.750 is hereby amended to read as follows:
10 360.750 1. A person who intends to locate or expand a business in
11 this state may apply to the commission on economic development for a
12 partial abatement of one or more of the taxes imposed on the new or
13 expanded business pursuant to chapter 361, 364A or 374 of NRS.

14 2. The commission on economic development shall approve an
15 application for a partial abatement if the commission makes the following
16 determinations:

17 (a) The business is consistent with:

18 (1) The state plan for industrial development and diversification that
19 is developed by the commission pursuant to NRS 231.067; and

20 (2) Any guidelines adopted pursuant to the state plan.

21 (b) The applicant has executed an agreement with the commission
22 which states that the business will, after the date on which a certificate of
23 eligibility for the abatement is issued pursuant to subsection 5, continue in
24 operation in this state for a period specified by the commission, which
25 must be at least 5 years, and will continue to meet the eligibility
26 requirements set forth in this subsection. The agreement must bind the
27 successors in interest of the business for the specified period.

28 (c) The business is registered pursuant to the laws of this state or the
29 applicant commits to obtain a valid business license and all other permits
30 required by the county, city or town in which the business operates.

31 (d) Except as otherwise provided in NRS 361.0687, if the business is a
32 new business in a county or city whose population is 50,000 or more, the
33 business meets at least two of the following requirements:

34 (1) The business will have 75 or more full-time employees on the
35 payroll of the business by the fourth quarter that it is in operation.

36 (2) Establishing the business will require the business to make a
37 capital investment of at least \$1,000,000 in this state.

38 (3) The average hourly wage that will be paid by the new business to
39 its employees in this state is at least 100 percent of the average statewide
40 hourly wage as established by the employment security division of the
41 department of employment, training and rehabilitation on July 1 of each
42 fiscal year and:

43 (I) The business will provide a health insurance plan for all
44 employees that includes an option for health insurance coverage for
45 dependents of the employees; and

46 (II) The cost to the business for the benefits the business provides
47 to its employees in this state will meet the minimum requirements for
48 benefits established by the commission by regulation pursuant to
49 subsection 9.



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- 1 (e) Except as otherwise provided in NRS 361.0687, if the business is a
2 new business in a county or city whose population is less than 50,000, the
3 business meets at least two of the following requirements:
- 4 (1) The business will have 25 or more full-time employees on the
5 payroll of the business by the fourth quarter that it is in operation.
- 6 (2) Establishing the business will require the business to make a
7 capital investment of at least \$250,000 in this state.
- 8 (3) The average hourly wage that will be paid by the new business to
9 its employees in this state is at least 100 percent of the average statewide
10 hourly wage as established by the employment security division of the
11 department of employment, training and rehabilitation on July 1 of each
12 fiscal year and:
- 13 (I) The business will provide a health insurance plan for all
14 employees that includes an option for health insurance coverage for
15 dependents of the employees; and
- 16 (II) The cost to the business for the benefits the business provides
17 to its employees in this state will meet the minimum requirements for
18 benefits established by the commission by regulation pursuant to
19 subsection 9.
- 20 (f) If the business is an existing business, the business meets at least two
21 of the following requirements:
- 22 (1) The business will increase the number of employees on its payroll
23 by 10 percent more than it employed in the immediately preceding fiscal
24 year or by six employees, whichever is greater.
- 25 (2) The business will expand by making a capital investment in this
26 state in an amount equal to at least 20 percent of the value of the tangible
27 property possessed by the business in the immediately preceding fiscal
28 year. The determination of the value of the tangible property possessed by
29 the business in the immediately preceding fiscal year must be made by the:
- 30 (I) County assessor of the county in which the business will
31 expand, if the business is locally assessed; or
- 32 (II) Department, if the business is centrally assessed.
- 33 (3) The average hourly wage that will be paid by the existing
34 business to its new employees in this state is at least 100 percent of the
35 average statewide hourly wage as established by the employment security
36 division of the department of employment, training and rehabilitation on
37 July 1 of each fiscal year and:
- 38 (I) The business will provide a health insurance plan for all new
39 employees that includes an option for health insurance coverage for
40 dependents of the employees; and
- 41 (II) The cost to the business for the benefits the business provides
42 to its new employees in this state will meet the minimum requirements for
43 benefits established by the commission by regulation pursuant to
44 subsection 9.
- 45 3. Notwithstanding the provisions of subsection 2, the commission on
46 economic development may:
- 47 (a) Approve an application for a partial abatement by a business that
48 does not meet the requirements set forth in paragraph (d), (e) or (f) of
49 subsection 2;



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1 (b) Make the requirements set forth in paragraph (d), (e) or (f) of
2 subsection 2 more stringent; or

3 (c) Add additional requirements that a business must meet to qualify for
4 a partial abatement,
5 if the commission determines that such action is necessary.

6 4. If a person submits an application to the commission on economic
7 development pursuant to subsection 1, the commission shall provide notice
8 to the governing body of the county and the city or town, if any, in which
9 the person intends to locate or expand a business. The notice required
10 pursuant to this subsection must set forth the date, time and location of the
11 hearing at which the commission will consider the application.

12 5. If the commission on economic development approves an
13 application for a partial abatement, the commission shall immediately
14 forward a certificate of eligibility for the abatement to:

15 (a) The department;

16 (b) The Nevada tax commission; and

17 (c) If the partial abatement is from the property tax imposed pursuant to
18 chapter 361 of NRS, the county treasurer.

19 6. An applicant for a partial abatement pursuant to this section or an
20 existing business whose partial abatement is in effect shall, upon the
21 request of the executive director of the commission on economic
22 development, furnish the executive director with copies of all records
23 necessary to verify that the applicant meets the requirements of
24 subsection 2.

25 7. If a business whose partial abatement has been approved pursuant to
26 this section and is in effect ceases:

27 (a) To meet the requirements set forth in subsection 2; or

28 (b) Operation before the time specified in the agreement described in
29 paragraph (b) of subsection 2,

30 the business shall repay to the department or, if the partial abatement was
31 from the property tax imposed pursuant to chapter 361 of NRS, to the
32 county treasurer, the amount of the exemption that was allowed pursuant to
33 this section before the failure of the business to comply unless the Nevada
34 tax commission determines that the business has substantially complied
35 with the requirements of this section. Except as otherwise provided in
36 NRS 360.232 and 360.320, the business shall, in addition to the amount of
37 the exemption required to be paid pursuant to this subsection, pay interest
38 on the amount due at the rate most recently established pursuant to
39 NRS 99.040 for each month, or portion thereof, from the last day of the
40 month following the period for which the payment would have been made
41 had the partial abatement not been approved until the date of payment of
42 the tax.

43 8. A county treasurer:

44 (a) Shall deposit any money that he receives pursuant to subsection 7 in
45 one or more of the funds established by a local government of the county
46 pursuant to NRS ~~354.611~~, 354.6113 or 354.6115; and

47 (b) May use the money deposited pursuant to paragraph (a) only for the
48 purposes authorized by NRS ~~354.611~~, 354.6113 and 354.6115.

49 9. The commission on economic development:



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- 1 (a) Shall adopt regulations relating to:
2 (1) The minimum level of benefits that a business must provide to its
3 employees if the business is going to use benefits paid to employees as a
4 basis to qualify for a partial abatement; and
5 (2) The notice that must be provided pursuant to subsection 4.
6 (b) May adopt such other regulations as the commission on economic
7 development determines to be necessary to carry out the provisions of this
8 section.
9 10. The Nevada tax commission:
10 (a) Shall adopt regulations regarding:
11 (1) The capital investment that a new business must make to meet the
12 requirement set forth in paragraph (d) or (e) of subsection 2; and
13 (2) Any security that a business is required to post to qualify for a
14 partial abatement pursuant to this section.
15 (b) May adopt such other regulations as the Nevada tax commission
16 determines to be necessary to carry out the provisions of this section.
17 11. An applicant for an abatement who is aggrieved by a final decision
18 of the commission on economic development may petition for judicial
19 review in the manner provided in chapter 233B of NRS.
20 **Sec. 59.** NRS 374A.020 is hereby amended to read as follows:
21 374A.020 1. The collection of the tax imposed by NRS 374A.010
22 must be commenced on the first day of the first calendar quarter that begins
23 at least 30 days after the last condition in subsection 1 of NRS 374A.010 is
24 met.
25 2. The tax must be administered, collected and distributed in the
26 manner set forth in chapter 374 of NRS.
27 3. The board of trustees of the school district shall transfer the
28 proceeds of the tax imposed by NRS 374A.010 from the county school
29 district fund to the fund described in NRS ~~354.611~~ *which 354.6105, if the*
30 *fund* has been established by the board of trustees. ~~The~~ *Any* money
31 deposited in the fund described in NRS ~~354.611~~ *354.6105* pursuant to
32 this subsection must be accounted for separately in that fund and must only
33 be expended by the board of trustees for the cost of the extraordinary
34 maintenance, extraordinary repair and extraordinary improvement of
35 school facilities within the county.
36 **Sec. 60.** NRS 387.3045 is hereby amended to read as follows:
37 387.3045 If the ending balance of the general fund of a school district
38 has declined for 3 consecutive years, the school district shall submit to the
39 committee on local government finance created pursuant to ~~NRS~~
40 ~~266.0165~~ *section 4 of this act* a written explanation of the cause of the
41 decline.
42 **Sec. 61.** NRS 555.215 is hereby amended to read as follows:
43 555.215 1. Upon the preparation and approval of a budget in the
44 manner required by the Local Government Budget *and Finance* Act, the
45 board of county commissioners of each county having lands situated in the
46 district shall, by resolution, levy an assessment upon all real property in the
47 county which is in the weed control district.
48 2. Every assessment so levied is a lien against the property assessed.



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1 3. Amounts collected in counties other than the county having the
2 larger or largest proportion of the area of the district must be paid over to
3 the board of county commissioners of that county for the use of the district.

4 4. The county commissioners of that county may obtain medium-term
5 obligations pursuant to NRS 350.085 to 350.095, inclusive, of an amount
6 of money not to exceed the total amount of the assessment, to pay the
7 expenses of controlling the weeds in the weed control district. The loans
8 may be made only after the assessments are levied.

9 **Sec. 62.** NRS 555.560 is hereby amended to read as follows:

10 555.560 1. Upon the preparation and approval of a budget in the
11 manner required by the Local Government Budget *and Finance* Act, the
12 board of county commissioners shall, by resolution, levy an assessment
13 upon all real property in the rodent control district.

14 2. Every assessment so levied shall be a lien against the property
15 assessed.

16 3. The county commissioners may obtain short-term loans of an
17 amount of money not to exceed the total amount of such assessment, for
18 the purpose of paying the expenses of controlling the rodents in a rodent
19 control district. Such loans may be made only after such assessments are
20 levied.

21 **Sec. 63.** Section 12 of chapter 227, Statutes of Nevada 1975, as
22 amended by chapter 351, Statutes of Nevada 1997, at page 1280, is hereby
23 amended to read as follows:

24 Sec. 12. 1. The provisions of the Local Government Budget
25 *and Finance* Act, NRS 354.470 to 354.626, inclusive, as now and
26 hereafter amended, apply to the Authority as a local government, and
27 the Authority shall, for purposes of that application, be deemed a
28 district other than a school district.

29 2. The provisions of NRS 350.085 to 350.095, inclusive, apply to
30 the Authority.

31 **Sec. 64.** Section 2.060 of chapter 470, Statutes of Nevada 1975, at
32 page 730 is hereby amended to read as follows:

33 Sec. 2.060 Powers of city council: Ordinances, resolutions and
34 orders.

35 1. The city council may make and pass all ordinances, resolutions
36 and orders not repugnant to the Constitution of the United States or
37 the State of Nevada, or to the provisions of Nevada Revised Statutes
38 or of this charter, necessary for the municipal government and the
39 management of the affairs of the city, and for the execution of all the
40 powers vested in the city.

41 2. When power is conferred upon the city council to do and
42 perform something, and the manner of exercising such power is not
43 specifically provided for, the city council may provide by ordinance
44 the manner and details necessary for the full exercise of such power.

45 3. The city council may enforce ordinances by providing penalties
46 not to exceed those established by the legislature for misdemeanors.

47 4. The city council shall have such powers, not in conflict with
48 the express or implied provisions of this charter, as are conferred upon
49 the governing bodies of cities by Nevada Revised Statutes.



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1 5. The city council shall annually adopt a budget pursuant to the
2 Local Government Budget *and Finance* Act.

3 **Sec. 65.** Section 9 of chapter 474, Statutes of Nevada 1977, at page
4 970, as last amended by chapter 121, Statutes of Nevada 1991, at page 205,
5 is hereby amended to read as follows:

6 Sec. 9 1. Except as otherwise provided in subsection 2, the
7 board shall comply with the provisions of the Local Government
8 Purchasing Act and the Local Government Budget *and Finance* Act.

9 2. Except as otherwise provided in section 10.2 of this act, any
10 concession agreement entered into by the authority in conformity with
11 the provisions of that section need not conform to the requirements of
12 the Local Government Purchasing Act.

13 **Sec. 66.** Section 8 of chapter 844, Statutes of Nevada 1989, at page
14 2026 is hereby amended to read as follows:

15 Sec. 8. The board shall comply with the provisions of the Nevada
16 Ethics in Government Law, NRS 241.020, the Local Government
17 Purchasing Act and the Local Government Budget *and Finance* Act.

18 **Sec. 67.** Section 19 of chapter 572, Statutes of Nevada 1997, at page
19 2803 is hereby amended to read as follows:

20 Sec. 19. The provisions of ~~subsection 1 of~~ NRS 354.599 do not
21 apply to any additional expenses of a local government that are related
22 to the provisions of this act.

23 **Sec. 68.** NRS 266.0165, 354.478, 354.480, 354.481, 354.488,
24 354.514, 354.522, 354.540, 354.542, 354.551, 354.558, 354.564, 354.566,
25 354.576, 354.580, 354.588, 354.595, 354.5984, 354.59871, 354.59872,
26 354.606, 354.610, 354.6107, 354.611, 354.6145, 354.615, 354.621 and
27 354.622 are hereby repealed.

28 **Sec. 69.** 1. This section and sections 1 to 49, inclusive, and 51 to 68,
29 inclusive, of this act become effective on July 1, 2001.

30 2. Section 50 of this act becomes effective at 12:01 a.m. on
31 July 1, 2001.

LEADLINES OF REPEALED SECTIONS

266.0165 Committee on local government finance: Creation;
appointment and terms of members; vacancies.

354.478 "Account" defined.

354.480 "Accumulated depreciation" defined.

354.481 "Activity" defined.

354.488 "Balance sheet" defined.

354.514 "Depreciation" defined.

354.522 "Expenditure adjustment" defined.

354.540 "Interfund loan" defined.

354.542 "Interfund transfer" defined.

354.551 "Object" defined.

354.558 "Reimbursement" defined.



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- 354.564 “Revenue adjustment” defined.
- 354.566 “Securities” defined.
- 354.576 “Taxes” defined.
- 354.580 “Trust or agency fund” defined.
- 354.588 Powers and duties of governing bodies, officers and employees of local governments.
- 354.595 Copy of documents concerning budget to be delivered to legislative counsel bureau.
- 354.5984 Reduction of apportionment or distribution of general road fund; intergovernmental and intragovernmental transfers and grants and levy of taxes ad valorem.
- 354.59871 Nevada tax commission authorized to establish rate for levy of taxes ad valorem to provide aid to indigent persons.
- 354.59872 Increase in allowed revenue from taxes ad valorem of local government that loses revenue by incorporation of new city.
- 354.606 Transfer of budget appropriations between accounts.
- 354.610 Enterprise fund.
- 354.6107 Fund for extraordinary maintenance, repair or improvement of capital projects in county whose population is less than 100,000.
- 354.611 Fund for extraordinary maintenance, repair or improvement of local governmental facilities.
- 354.6145 Establishment of internal service fund for contributions to provide group life, accident and health benefits.
- 354.615 Procedure for augmenting budget.
- 354.621 Limitation on use of ending balance of general or special revenue fund.
- 354.622 System of accounting.

