

**LFN 2023-21**

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**N.J.A.C. 5:30 Readoption  
Budget & Financial Administration**

At its July 12, 2023 meeting, the Local Finance Board (Board) approved the chapter readoption of N.J.A.C. 5:30 with amendments and new rules. The Notice of Chapter Readoption was published in the August 7, 2023 New Jersey Register, which is available under the “Recently Adopted Rules” heading of the Division of Local Government Services’ [Rules and Regulations](#) webpage.

**I. Overview**

Chapter 30 contains 18 subchapters:

Subchapter 1: General Provisions

Subchapter 2: Local Bond Law

Subchapter 3: Annual Budget

Subchapter 4: Capital Budgets and Capital Improvement Programs

Subchapter 5: Certifications of Availability of Funds and Accounting System Requirements for Local Units

Subchapter 6: Annual Audit

Subchapter 7: Municipal Budget Local Examination and Approval

Subchapter 8: Financial Administration

Subchapter 9: Government Electronic Receipt Acceptance

Subchapter 9A: Electronic Disbursements and Claimant Certification

Subchapter 10: Municipalities Under State Supervision (repurposed from “Municipal Port Authorities” which was recodified as N.J.A.C. 5:31-9)

Subchapter 11: Change Orders and Open-End Contracts

Subchapter 12: Federal Grants for Library Construction and State Library Aid

Subchapter 13: Financial Review Boards

Subchapter 14: Emergency Service Volunteer Length of Service Award Program (LOSAP)

Subchapter 15: Accumulated Absence Management and Financing

Subchapter 16: Agency Communications with Local Units

Subchapter 17: Electronic Disbursement Controls for Authorized Third-Party Disbursement Services (previous title retitled “Electronic Disbursement Controls for Payroll Purposes”)

Subchapter 18: Municipal and County Charitable Funds

Subchapters 1, 5, 9, 9A, 11, 15, 16, and 17 include regulations relevant to all local units, with Subchapter 9A also relevant to boards of education and charter schools. Subchapters 2, 3, 4, 6, 8, 12, and 18 pertain to municipalities and counties, with Subchapter 6 now also applying to joint meetings/regional service agencies. Please note that P.L. 2019, c. 433 amended the “Uniform Shared Services and Consolidation Act” (N.J.S.A. 40A:65-1 et seq.) to rename joint meetings established after January 21, 2020 as regional service agencies. Subchapters 7, 10, and 13 apply to municipalities. Subchapter 14 (LOSAP) applies to municipalities and fire districts.

Subchapters 11, 12, 14, and 18 have been readopted without change.

In addition to codifying in regulation certain existing statutes and Division guidance, the Board adopted several key changes relevant to local government budgeting and financial administration, which this Notice further details. Other Local Finance Notices will be issued as needed to provide further guidance on specific topics.

## **II. Subchapter 2 – Local Bond Law**

### Request for Period of Usefulness Determination

New rule N.J.A.C. 5:30-2.7 standardizes the procedure by which a municipality or county may apply to the Division Director for a period of usefulness determination on any capital improvement or property with a useful life of five years or more that is not included at N.J.S.A. 40A:2-22, so long as no law expressly prohibits the authorization of obligations for that capital improvement or property. Any request to the Director shall:

- Identify the subject capital improvement or property;
- Request a useful life determination of not less than five years, but not more than 15 years;
- Provide a certification from an engineer, architect, or other appropriate professional that the physical useful life of the capital improvement or property meets, at a minimum, the period of usefulness being requested;

- State whether financing the capital improvement or property would require Local Finance Board approval; and
- Supply such other information as the Director may require.

Once the Director issues a period of usefulness determination regarding a capital improvement or property, the Director may make said determination applicable to all municipalities and counties upon publication of a notice in the New Jersey Register. If the Director's useful life determination has been published in the New Jersey Register, a municipality or county may only submit a request for a determination for the same capital improvement or property if the request is readily and clearly distinguishable from the published determination.

The Division is developing a standardized request form which will be distributed via GovConnect and available on the Division's Miscellaneous Publications webpage.

### **III. Subchapter 3 – Annual Budget**

#### Annual Budget Submission Process – Municipalities & Counties

Amendments to N.J.A.C. 5:30-3.2 codify certain existing procedures for the introduction and adoption of a municipal or county budget, including:

- Submission of the certified approved and adopted budgets through the Financial Automation Submission Tracking (FAST) system, with the Division having discretion to require submission of one or more certified paper copies.
- Transmission of the certified copy of the adopted budget to the county board of taxation no later than 15 days following the adoption of the budget (incorporating N.J.S.A. 40A:4-11).
- Submission, with the introduced and approved budget, of the governing body's certification that the local unit's hiring practices comply with the United States Equal Employment Opportunity Commission's ["Enforcement Guidance on the Consideration and Arrest of Conviction Records in Employment Decisions Under Title VII of the Civil Rights Act of 1964," as amended, 42 U.S.C. §§ 2000 et seq. \(April 25, 2012\).](#)
- The inclusion of a solid waste collection district budget, as applicable, with the municipal budget submission.

#### Municipal User-Friendly Budget

New subsection (e) of N.J.A.C. 5:30-3.2 states that no municipality can adopt its annual budget unless the municipality has submitted to the Division the user-friendly budget section corresponding with the municipality's prior year adopted budget. Municipalities are still required

to create a user-friendly budget section of their introduced budgets, which must be presented to the public as part of the introduced budget and may be requested by the Division at any time.

Reporting requirements for accumulated absence liability on the municipal user-friendly budget have been further augmented, specifically:

- More detailed breakdown by absence type (sick, vacation, compensatory, personal, and other) by days and dollar value;
- In the case of non-union employees, the gross number of days of accumulated absences and the dollar value of same, along with the legal basis for the benefit, is listed for each individual position rather than each named individual;
  - If there is more than one of an identically named position, then those positions can be grouped together with an indication of the number of positions. For example, if the municipality has eight deputy division directors, “Deputy Division Directors (8)” can be entered in lieu of listing each deputy division director separately. Indiscriminately grouping all non-union employees under a single heading (e.g. “confidential employees”) is not permitted.
  - If a single non-union employee holds more than one position, the multiple positions shall be identified on a single line.
- The number of individuals that are subject to restrictions on accumulated absence compensation pursuant to P.L. 2007, c. 92 or P.L. 2010, c. 3. See Section XI on Subchapter 15 – Accumulated Absence Liability Management and Financing for further explanation of both laws.

**Please note that the accumulated absence liability page of the municipal user-friendly budget is now required to be submitted to the municipal auditor upon budget adoption.**

#### Dedications by Rider

- For dedications by rider not requiring prior Director approval, a copy of the adopted resolution must now be submitted to the Director. N.J.A.C. 5:30-3.3(c).
- N.J.S.A. 52:27H-88.a(2) requires Urban Enterprise Zone (UEZ) municipalities to maintain a dedicated trust fund for UEZ proceeds received from the State Department of Treasury’s enterprise zone assistance fund. This trust fund is now on the list of dedications by rider not requiring prior Director approval. N.J.A.C. 5:30-3.3(c)13.
- N.J.A.C. 5:30-9.9 requires local units to maintain a dedicated trust fund account entitled “Electronic Receipt Fees” for electronic receipt transaction surcharges and convenience fees. This dedication by rider has been added to the list of those that do not require prior Director approval. N.J.A.C. 5:30-3.3(c)13.

[P.L. 2021, c. 182](#) required the establishment of a [multi-faceted Statewide program](#) to identify and remediate lead-based paint hazards, a key component of which is the visual and dust-wipe inspection of rental units for lead-based paint. N.J.S.A. 52:27D-437.16 requires inspection fees charged by a municipality to be dedicated towards implementing and enforcing the inspection requirement. The law further requires a unit owner to be assessed an additional fee of \$20 per inspected unit, the proceeds of which are to be deposited into the Department of Community Affairs' Lead Hazard Control Assistance Fund (N.J.S.A. 52:27D-437.4). Municipalities must obtain Division approval in order to establish a dedication by rider for lead paint hazard inspection fee proceeds.

#### Notice of Certain Referenda, Water & Sewer System Sales, to Division

New rule N.J.A.C. 5:30-3.13 requires the municipal clerk to submit to the Director a certified copy of the ordinance or resolution authorizing any of the following referenda within five days of final adoption:

- A municipal or county referendum on any tax levy (e.g. levy cap, library tax, open space, arts and culture levy);
- Municipal appropriations cap referendum;
- Sale of a water or sewer system

The municipal clerk or the clerk of the county board of commissioners must also provide the Director with a copy of the ballot question and copy of any notice published regarding the referendum. Certified results of the above referenda must be submitted to the Director within five (5) days of receiving the certified election results.

Pursuant to new rule N.J.A.C. 5:30-3.12, the municipal clerk of a municipality undertaking the process of selling or leasing its water system or sewer system pursuant to N.J.S.A. 40:62-3 or 3.1 must provide the Director with a certified copy of the ordinance authorizing the sale or long-term lease and, if applicable, the resolution authorizing the issuance of a bid or request for proposals, within five (5) days of final adoption.

The above referenced documents shall be submitted to the Division through FAST.

#### Codification of Levy Cap Exclusion for Increases in Certain Shared Services Costs

New rule N.J.A.C. 5:30-3.10 codifies the following guidance from page 2 of [Local Finance Notice 2011-3R](#): that a municipality, county, or fire district may exclude from its two percent (2%) levy cap calculation any costs falling within the general levy cap exclusions set forth at N.J.S.A. 40A:4-45.45 that are passed on by the provider of a shared service agreement to which the local unit is a party. The levy cap workbook for the two percent cap will remain unchanged.

Codification of County Entity Budget Request Cap Guidance

P.L. 2015, c. 249, signed into law on January 19, 2016, limits to 2% the annual increase in the portion of budget requests from the following county entities that are funded by the county property tax levy:

Prosecutor	Sheriff
County Clerk	Surrogate
Register of Deeds & Mortgages	Superintendent of Elections
Board of Elections	Board of Taxation

The guidance in Local Finance Notice 2017-25 on implementation of the county entity budget request cap has been codified in N.J.A.C. 5:30-3.1, 3.3(b), and 5:30-3.7 - please review the Notice in conjunction with the above regulatory provisions for further details.

**IV. Subchapter 4 – Capital Budgets & Capital Improvement Programs**

Water System Improvements & Water Infrastructure Protection Act (WQAA)

N.J.S.A. 58:31-7 of the [Water Quality Accountability Act \(WQAA\)](#) requires all local units with their own water system to file an [annual capital improvement report](#) (WQAA annual report) with the New Jersey Department of Environmental Protection (NJDEP) listing infrastructure improvements required under the local unit’s water system asset management plan. Selecting the Project History tab on the WQAA annual report template, capital projects to be implemented under the asset management plan are listed under the heading “Projects Planned But Not Yet Placed Into Service.” Projects are currently identified as Short Term (1-3 years) and Long Term (4-10 years) based on the anticipated construction period of those projects.

Effective starting with CY2024 municipal budgets, N.J.A.C. 5:34-4.3(c) now requires every municipality with its own water system to have an annual capital budget and program. Further, the capital budget and capital program of a municipality with its own water system shall incorporate the infrastructure improvements listed on the municipality’s WQAA annual report for the corresponding period, along with the estimated costs of said improvements and anticipated financing by sources and amounts in accordance with N.J.A.C. 5:30-4.6(a). The WQAA annual report will include a new Mid Term (4-6 years) category to better track with the capital budget and program; however, the minimum capital program period for municipalities with under 10,000 in population remains three (3) years (budget year + two additional years) regardless of whether the municipality has a water system.

The water system improvement projects listed on the WQAA annual report under “Projects Planned But Not Yet Placed Into Service” for the Short Term (1-3 years) category and, if applicable, the Mid Term (4-6 years) categories, must also be listed in the capital budget and capital program

for the applicable period, unless the Director otherwise determines that a municipality's fiscal circumstances warrant deviating from the asset management plan – such a determination will be made in consultation with NJDEP. The project title for each water system improvement project listed on the capital budget and program must include word-for-word the information listed under "Type of Asset" and "Project Name – Comments" in the WQAA annual report. The estimated project cost listed in both the capital budget/program and the WQAA annual report must likewise match.

Further information on submitting the WQAA annual report will be provided in the CY 2024 Budget Matters Local Finance Notice.

### **V. Subchapter 5 – Certifications of Availability of Funds and Accounting System Requirements for Local Units**

In addition to updating various code references and codifying the requirement that municipalities and counties incorporate the Division's Flexible Chart of Account (FCOA) codes into the annual budget, audit, and all other financial statements, Subchapter 5 contains the following key changes:

#### Accounting for Purchases

N.J.A.C. 5:30-5.2 has been updated to require municipalities, counties, and joint meetings/regional service agencies composed solely of municipalities and counties to sequentially number all purchases charged to "Other Expense" or other non-salary line items through a computerized system that produces appropriate purchasing internal control (i.e. system-generated purchase orders that are printed on demand) rather than through pre-printed multiple copy purchase orders. Further, joint meetings/regional service agencies composed solely of municipalities and/or counties are now required to maintain an encumbrance accounting system.

For local authorities, the Local Finance Board has updated N.J.A.C. 5:30-5.3 through 5.5 to require the officer in charge of finances for any authority that does not have an encumbrance accounting system to maintain, at a minimum, a record of all open contracts, including open purchase orders. If a purchase or the execution of a contract does not require, either by State law or any State or local rule, specific authorization by formal action of the governing body, the individual approving the contract or release of the purchase order on behalf of the authority shall consult with the record of open contracts in determining whether there are available sufficient uncommitted appropriations to provide for the payment. An authority's record of open contracts shall be updated to reflect contracts issued as a purchase order or amendment thereto, or any contracts awarded by the authority's purchasing official. If the full amount of the contract would not be charged against the budget at the time the contract is awarded by the authority's governing body, the record of open contracts shall be updated to reflect any purchases made pursuant to the open-end contract. Authorities maintaining an encumbrance accounting system shall follow the

requirements applicable to municipalities and counties for encumbering funds or certifying available funds.

### General Ledger Now Required For All Funds

N.J.A.C. 5:30-5.7 now requires all local units, including authorities, fire districts, and joint meetings/regional service agencies, to maintain a general ledger for all funds rather than just the current fund. New subsections (c) through (j) largely codify the guidance in [Local Finance Notice CFO 2003-14](#) concerning the maintenance of general ledger accounting systems except that all local units are now required to post the totals for all funds to the general ledger on at least a monthly basis.

Appendix A to this Notice contains the entirety of updated N.J.A.C. 5:30-5.7. A revised Local Finance Notice updating the guidance in CFO 2003-14 will follow.

### **VI. Subchapter 6 – Annual Audit**

Subchapter 6 pertains to municipal and county audits. Key updates made to N.J.A.C. 5:30-6.1 include the following:

- Extending the accounting and auditing requirements applicable to municipalities and counties to joint meetings/regional service agencies composed solely of municipalities and counties.
- Audits for municipalities, counties, and joint meetings/regional service agencies composed solely of municipalities and/or counties, may list the most recent available GASB 68 and 75 information, rather than wait for the most current version as GAAP entities must do.
- Updated references to NJ's OMB Circular and federal OMB regulation codifying former Circular A-133.
- Codifying the current inclusion of a solid waste collection district audit, as applicable, with the municipal audit submission.

### Audit Procedures

New N.J.A.C. 5:30-6.4, 6.6, and 6.7 codifies much of the current audit procedure including audit submission and publication, the audit synopsis, and corrective action plan. The [group affidavit and resolution](#) required under N.J.A.C. 5:30-6.5 has been updated and is posted on the [Municipal and County Budgets](#) webpage under the Annual Audit – Municipality/County/Joint Meeting heading.

Adapted from N.J.A.C. 5:31-7.6(g) for synopses of authority audits, N.J.A.C. 5:30-6.4 requires the synopsis of audit to include:

- A comparative balance sheet;
- A comparative statement of revenue, expenses/expenditures, and changes in retained earnings/fund balance;



- A summary of all comments, findings, and recommendations. If the audit contains one or more findings repeated from the prior year's annual audit, the summary shall specifically identify those findings as repeat findings; and
- If the annual audit contains one or more findings, a statement that a corrective action plan outlining actions to be taken to correct the finding or findings will be placed on file for public inspection with the clerk of the county board of commissioners or the municipal clerk, as applicable. The statement shall include the date on which the corrective action plan will be on file with the clerk, which date shall be no later than 60 days from the date on which the registered municipal accountant filed the completed annual audit with the local unit.

Municipal clerks, clerks of county boards of commissioners, and secretaries of joint meetings/regional service agencies are responsible for publishing the synopsis of audit within 30 days of receipt of the annual audit. The synopsis must be published at least once in the official newspaper of the local unit, if there is one, or if there is none, in a newspaper published in the local unit. If there is no newspaper published within the local unit, it shall be published in a newspaper having a general circulation in the local unit. If the clerk or the joint meeting/regional service agency secretary fail to abide by this publication deadline, a personal penalty of \$10.00 is payable to the local unit for each day after the 30-day deadline that the publication fails to appear in the newspaper. For example, the synopsis publication deadline would be July 31<sup>st</sup> if the governing body received the audit on July 1<sup>st</sup>. If the audit synopsis appeared in the newspaper on August 15<sup>th</sup>, the total penalty payable to the local unit by the clerk or joint meeting/regional service agency secretary would be \$150.00.

New rule N.J.A.C. 5:30-6.6 codifies guidance in [Local Finance Notice CFO 97-16](#) concerning corrective action plans, including the governing body's responsibility to adopt a summary schedule of audit findings and, with respect to a single audit, a separate corrective action plan and summary schedule of prior audit findings. A revised Local Finance Notice updating the guidance in CFO 97-16 will follow. Governing body members who, after the date fixed for compliance with this section, fail or refuse to obey an order of the Director to comply, shall be subject to the penalty provisions at N.J.S.A. 52:27BB-52.

New rule 5:30-6.7 codifies the requirements for submission of the annual audit and associated documents. All audit document filings must be uploaded into FAST. The auditor shall file a certified duplicate copy of the annual audit with the Division, along with the audit questionnaire and, as applicable, the municipal court, uniform construction code and dog reports, within five days of the original audit report being filed with the clerk or the joint meeting/regional service agency secretary. A certified copy of the governing body resolution and executed group affidavit, along with proof of publication of the audit synopsis, shall be filed with the Division by the chief financial officer within five days of the resolution being adopted. The corrective action plan and summary schedule of prior audit findings shall be filed with the Division by the chief financial

officer within five days of being filed with the clerk or the joint meeting/regional service agency secretary, as applicable.

#### Discovery of Illegal Acts, Shortages & Irregularities

New rule N.J.A.C. 5:30-6.8 establishes a procedure that auditors of municipalities, counties, and joint meetings/regional service agencies comprised solely of municipalities and/or counties must follow when an illegal act, shortage, or irregularity is detected. This rule is adapted from the procedure specified in N.J.A.C. 5:31-7.7 for auditors of authorities and special districts. The auditor's responsibility for the detection of illegal acts and irregularities in an audit of financial statements shall be according to Generally Accepted Accounting Standards (GAAS). It is the auditor's duty to follow up on these matters in each and every instance and keep the Division informed as to progress and procedure.

Where there is detection of an illegal act, shortage, or irregularity, the auditor shall notify the Division at once by means of a [special confidential report](#), the form of which is promulgated as an Appendix to N.J.A.C. 5:30-6.8 and available on the [Municipal and County Budgets](#) webpage under the Annual Audit – Municipality/County/Joint Meeting heading. The auditor shall file confidential reports with the Division and the local unit, respectively, with the third copy retained for the auditor's own files. Section One of the report is a preliminary notification to be filed with the Division within 48 hours after the discovery of any irregularity or shortage regardless of whether or not the facts have been definitively established. The governing body shall make immediate report to the bonding company upon presentation of the preliminary report of the auditor. It is the duty of the governing body to report the discovery of any shortage or irregularity involving public moneys to the county prosecutor serving the county in which the local unit is located. In turn, The Director shall render a report to the responsible deputy attorney general.

Section Two of the report shall be filed immediately after the auditor has completed the work, or after the auditor has completed the preliminary work to a point where the auditor can make a fair determination as to the amount involved. The auditor shall file supplements or preliminary reports from time to time pending the filing of Section Two in completed form. Section Three shall be filed upon final disposition of the case.

### **VII. Subchapter 7 – Local Municipal Budget Examination**

N.J.A.C. 5:30-7.4 was amended to classify the following municipalities as ineligible for local budget examination:

- Transitional Aid municipalities;
- Municipalities failing to submit to the Division the user-friendly budget corresponding with their previous year's adopted budget;

- If, during the current or prior fiscal year, an individual who does not hold a municipal finance officer certificate is or was serving as a temporary CFO pursuant to N.J.S.A. 40A:9-140.13;
- If, during the current or prior fiscal year, a private entity is or was temporarily fulfilling the duties of a chief municipal finance officer pursuant to N.J.S.A. 40A:9-140.10;
- Municipalities where, in the prior fiscal year, voters approved the sale of a water or sewer system pursuant to N.J.S.A. 40:62-5; and
- If, in the prior fiscal year, the municipality has completed the approval process pursuant to the Water Infrastructure Protection Act (N.J.S.A. 58:30-1 et seq.) for the sale of a water or sewer system.

### **VIII. Subchapter 8 – Financial Administration**

#### Surety Bonds for CFOs, Tax Collectors, and Municipal Court

N.J.A.C. 5:30-8.2 through 8.4 were updated to conform with the provisions of P.L. 2013, c. 2 that allow chief financial officers, tax collectors, and municipal court judges and administrators to be covered under a municipal or county (as applicable) blanket bond. If coverage is being provided pursuant to the local unit's blanket fidelity bond, coverage pursuant to the blanket bond for the chief financial officer or other individual holding overall management responsibility for the local unit's finances shall be subject to the application of individual rating criteria and underwriting standards that consider the risk and potential liability presented by the individuals covered by the blanket bond as if the individuals were covered by an individual bond.

The Board further amended N.J.A.C. 5:30-8.2(b) to make what had been the recommended surety bond schedule for municipal and county chief financial officers the mandatory minimum. The amount of a chief finance officer's bond is linked to an exposure index representing 10 percent of a municipality or county's total revenues, inclusive of revenues such as, but not limited to, non-municipal tax levies, utility rents, grants, and revenues from payments in lieu of taxes (PILOTs). If coverage for the chief financial officer is being provided through a blanket bond, the schedule shall be utilized when calculating the blanket bond coverage. This change becomes effective as of January 1, 2024.

The minimum requirement for the surety bond of each tax collector in N.J.A.C. 5:30-8.3 was updated to clarify that the term "tax duplicate" references all tax levies and require the factoring in of the following revenues collected by the tax collector in the preceding year: local assessments, PILOT revenues if collected by the tax collector, and any other revenues collected by the tax collector.

### Hiring of Off-Duty Law Enforcement for Outside Work

New rule N.J.A.C. 5:30-8.6 establishes a regulatory framework for the hiring of off-duty law enforcement (e.g., road construction, security), including requiring the adoption of a formal policy by the municipality or county and defining permitted and prohibited administrative charges. The regulation augments guidance from [Local Finance Notice CFO 2000-14](#). A separate updated Local Finance Notice on this topic is forthcoming.

### Stormwater Utility Report

Any municipality or county that establishes a stormwater utility pursuant to N.J.S.A. 40A:26B-1 et seq., shall submit, concurrent with the adoption of the local unit's annual budget, an annual stormwater utility report to both the Division and DEP. New rule N.J.A.C. 5:30-8.11 specifies the required content for the stormwater utility report. A Local Finance Notice on the stormwater utility report will be issued upon finalization of the reporting template.

## **IX. Subchapter 9 – Government Electronic Payment Acceptance Act**

Updates to N.J.A.C. 5:30-9.2 make various updates to reflect Section 9 of P.L. 2020, c. 34, which amended the Government Electronic Payment Acceptance Act (N.J.S.A. 40A:5-43 to 47) to permit local units to accept Internet-based transfer of funds through an Internet-based payment system (defined as an “online funds transfer”) and fund transfers through a service accepting payments made in-person, by any method, which then performs an electronic funds transfer to the payee (defined as an “in-person funds transfer”). In-person funds transfers are offered by a variety of retail establishments (including check-cashing establishments). Funds from in-person or online funds transfers must be deposited directly into a local government's GUDPA-protected account. See [Local Finance Notice 2021-09](#) for further details.

## **X. Subchapter 10 – Municipalities Under State Supervision**

Subchapter 10 establishes rules for the interpretation and administration of N.J.S.A. 52:27BB-54 through 100, commonly referenced as “State Supervision.” The subchapter formerly contained regulations pertaining to Municipal Port Authorities, which is now recodified in new Subchapter 9 of N.J.A.C. 5:31 (Local Authorities). Key provisions adopted by the Local Finance Board for municipalities under State Supervision include:

- For a municipality's eligibility to be placed under State Supervision, defines a “default” on municipal debt obligations as failure to pay for whatever reason, including failure to make funds on-hand available for paying debt service.
- Further defines the Director's authority to order a municipality under State Supervision to authorize or make disbursements in accordance with the adopted budget, or any temporary

or emergency appropriations adopted by the Board or by the governing body, as applicable, and make such disbursements directly if the municipality fails to do so.

- Codifies the authority granted to a fiscal control officer appointed by the Board to oversee a municipality under State Supervision, along with the Board's authority to appoint a fiscal control officer should the municipality fail to select from one of the three names presented by the Board, and the procedures for terminating a fiscal control officer.

### **XI. Subchapter 15 – Accumulated Absence Management and Financing**

The Local Finance Board made several updates to Subchapter 15, which authorizes and establishes procedures for local government units to follow in accounting for accumulated absences and for the payment of employees based on such absences, and in establishing reserves for compensated absences. Unless otherwise noted, the provisions of Subchapter 15 now expressly apply to joint meetings/regional service agencies. A new Local Finance Notice updating the guidance in [CFO-2002-1](#) will be forthcoming.

Various amendments and new rules incorporate restrictions placed upon accumulated absence compensation and accumulation by P.L. 2007, c. 92 and P.L. 2010, c. 3.

- P.L. 2007, c. 92 prohibits certain executive and senior management-level appointed officers and employees from receiving, upon retirement, over \$15,000 in supplemental compensation for sick leave after July 1, 2007. Generally, officers and employees subject to the accumulated absence restrictions of P.L. 2007, c. 92 are required by that same law to join the Defined Contribution Retirement Program (DCRP).
- P.L. 2010, c. 3 prohibits the payment of supplemental compensation in excess of \$15,000 by a local unit to any officers or employees commencing service with that local unit:
  - on or after May 21, 2020, or
  - after the expiration of a collective negotiated agreement in effect on May 21, 2010 with a provision relevant to supplemental compensation for accumulated unused sick leave.

See Tp. of Little Falls, P.E.R.C. No. 2016-42, 42 [NJPER](#) 303 (P87 2015); Town of Hammonton, P.E.R.C. No. 2021-53, 48 [NJPER](#) 34 (P8 2021); In re City of Atlantic City, 2017 N.J. Super. Unpub. Lexis 2366.

Employees subject to either law are also limited as to vacation time accumulation. New rules N.J.A.C. 5:30-15.6 and 15.7 codify guidance in Local Finance Notices [2007-28](#) and [2008-10](#) identifying the officers and employees to which the accumulated absence restrictions in P.L. 2007, c. 92 apply.

In addition to a copy of (or reference to) the agreement authorizing compensation and the total value of the compensation based on the agreement and accumulated absence time, amendments

to N.J.A.C. 5:30-15.4 now require the following added documentation before a local unit can pay over accumulated absence compensation:

- the amount of compensable accrued absence time broken down by category (e.g. sick, vacation, compensatory, personal, other).
- the employee's hire date; and
- If the employee is subject to accumulated absence restrictions established by P.L. 2007, c. 92, the date the employee entered a title subject to P.L. 2007, c. 92.

As with the municipal user-friendly budget, reporting requirements for accumulated absence liability on county budget has been augmented, specifically:

- More detailed breakdown of types of absences (sick, vacation, compensatory, personal, and other) by days and dollar value;
- In the case of non-union employees, the gross number of days of accumulated absences and the dollar value of same, along with the legal basis for the benefit, is listed for each individual position rather than each named individual;
  - If there is more than one of an identically named position, then those positions can be grouped together with an indication of the number of positions. For example, if the county has eight deputy division directors, "Deputy Division Directors (8)" can be entered in lieu of listing each deputy division director separately. Indiscriminately grouping all non-union employees under a single heading (e.g. "confidential employees") is not permitted.
  - If a single non-union employee holds more than one position, the multiple positions shall be identified on a single line.

New rule N.J.A.C. 5:30-15.10 requires, as part of the annual audit, the auditor to undertake sample testing of the local unit's compensated absence liability, if any, using the following procedures:

- Inspecting the budget's accumulated absence data and employee personnel records to:
  - confirm whether those records support the number of hours or days of accumulated absence recorded for the employee being tested; and
  - identify whether the employee is subject to the provisions of P.L. 2007, c. 92 or P.L. 2010, c. 3 pertaining to accumulated or compensated absence.
- Confirm that the dollar value of compensated absence recorded for the employee being tested is authorized by a labor contract, individual employment agreement, or an ordinance or resolution as appropriate to the local unit.

- If the employee is subject to the provisions of P.L. 2007, c. 92 or P.L. 2010, c. 3 pertaining to accumulated or compensated absence, confirm that the recorded dollar value does not exceed that authorized pursuant to law.

Additional note for auditors: If, based on the documentation being reviewed, the matter of whether P.L. 2007, c. 92 or P.L. 2010, c. 3 applies to the employee being sample tested would require the local unit's attorney to render a legal interpretation, the auditor is not required to opine on whether the employee is subject to either law.

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Approved: Jacquelyn A. Suárez, Acting Commissioner & Director

<b>Document</b>	<b>Internet Address</b>
Rules & Regulations	<a href="https://www.nj.gov/dca/dlgs/rules_reg.shtml">https://www.nj.gov/dca/dlgs/rules_reg.shtml</a>
EEOC Guidance	<a href="https://www.eeoc.gov/laws/guidance/enforcement-guidance-consideration-arrest-and-conviction-records-employment-decisions">https://www.eeoc.gov/laws/guidance/enforcement-guidance-consideration-arrest-and-conviction-records-employment-decisions</a>
LFN 2011-3R	<a href="https://www.nj.gov/dca/divisions/dlgs/lfns/11/2011-3r.doc">https://www.nj.gov/dca/divisions/dlgs/lfns/11/2011-3r.doc</a>
P.L. 2021, c. 182	<a href="https://pub.njleg.state.nj.us/Bills/2020/PL21/182_.PDF">https://pub.njleg.state.nj.us/Bills/2020/PL21/182_.PDF</a>
DCA Lead Inspection Page	<a href="https://www.nj.gov/dca/divisions/codes/resources/leadpaint.html">https://www.nj.gov/dca/divisions/codes/resources/leadpaint.html</a>
DEP WQAA Page	<a href="https://www.state.nj.us/dep/watersupply/g_reg-wqaa.html">https://www.state.nj.us/dep/watersupply/g_reg-wqaa.html</a>
WQAA Annual Report	<a href="https://www.state.nj.us/dep/watersupply/xls/wqaa-capital-improvement-report-template-worksheet.xlsx">https://www.state.nj.us/dep/watersupply/xls/wqaa-capital-improvement-report-template-worksheet.xlsx</a>
LFN CFO-2003-14	<a href="https://www.nj.gov/dca/divisions/dlgs/lfns/03/cfo-2003-14.pdf">https://www.nj.gov/dca/divisions/dlgs/lfns/03/cfo-2003-14.pdf</a>
Group Affidavit & Resolution (Annual Audit)	<a href="https://www.nj.gov/dca/dlgs/programs/mc_budget_docs/audit_affidavit_res%2011-2023.doc">https://www.nj.gov/dca/dlgs/programs/mc_budget_docs/audit_affidavit_res%2011-2023.doc</a>
Auditor Confidential Rpt.	<a href="https://www.nj.gov/dca/dlgs/programs/mc_budget_docs/Appendix%20NJAC%205_30-6%20as%20of%2008072023.docx">https://www.nj.gov/dca/dlgs/programs/mc_budget_docs/Appendix%20NJAC%205_30-6%20as%20of%2008072023.docx</a>
DLGS Muni & County Budgets Webpage	<a href="https://www.nj.gov/dca/dlgs/programs/mc_budgets.shtml">https://www.nj.gov/dca/dlgs/programs/mc_budgets.shtml</a>
LFN CFO-97-16	<a href="https://www.nj.gov/dca/divisions/dlgs/lfns/pre_98/cfo-1997-16.pdf">https://www.nj.gov/dca/divisions/dlgs/lfns/pre_98/cfo-1997-16.pdf</a>
LFN CFO-2000-14	<a href="https://www.nj.gov/dca/divisions/dlgs/lfns/00/cfo00-14.pdf">https://www.nj.gov/dca/divisions/dlgs/lfns/00/cfo00-14.pdf</a>
LFN 2021-09	<a href="https://www.nj.gov/dca/divisions/dlgs/lfns/21/2021-09.pdf">https://www.nj.gov/dca/divisions/dlgs/lfns/21/2021-09.pdf</a>
LFN CFO-2002-1	<a href="https://www.nj.gov/dca/divisions/dlgs/lfns/02/cfo-2002-1.pdf">https://www.nj.gov/dca/divisions/dlgs/lfns/02/cfo-2002-1.pdf</a>
LFN 2007-28	<a href="https://www.nj.gov/dca/divisions/dlgs/lfns/07/2007-28.doc">https://www.nj.gov/dca/divisions/dlgs/lfns/07/2007-28.doc</a>
LFN 2008-10	<a href="https://www.nj.gov/dca/divisions/dlgs/lfns/08/2008-10.doc">https://www.nj.gov/dca/divisions/dlgs/lfns/08/2008-10.doc</a>

## Appendix A

### 5:30-5.7 General ledger accounting systems

- (a) All local units shall have and maintain a general ledger for the current fund and all other funds.
- (b) The general ledger shall be the official permanent financial record of the local unit. It shall provide a summary of all financial transactions as they have been recorded in the books of original entry, using a double entry, self-balancing accounting system with the general ledger facilitating the preparation of the financial statements. The general ledger, together with the books of original entry and supporting subsidiary ledgers shall constitute the complete accounting system.
- (c) In support of the general ledger, the following books of original entry (journals) are required to be maintained in an electronic format:
1. Cash receipts journal;
  2. Cash disbursements journal;
  3. Payroll journal; and
  4. General journal.
- (d) The cash receipts journal shall be used to record all transactions where cash is received by the local unit; either for revenue or non-revenue (reimbursement of expenditures).
- (e) The cash disbursements journal shall be used to record all transactions where cash is disbursed by the local unit for any purpose such as: budget appropriations, grant expenditures, capital ordinances, trust funds, or payroll.
- (f) The payroll journal shall be used to record the details of each payroll for each employee indicating the pay period, employee's name, hours worked, rate of pay, overtime, and payroll deductions.
- (g) The general journal shall be used to record any transactions that cannot be recorded in any other journals. Examples of journal entries in the general journal include:
1. Opening accounts at the beginning of the accounting period;
  2. Recording temporary and adopted budgets;
  3. Closing budgetary and operating accounts at the end of the accounting period;
  4. Recording adjusted entries or corrections to previously recorded transactions;
  5. Recording non-cash budgetary transactions such as:
    - i. Charging deferred charges to appropriations;
    - ii. Charging surplus to realized revenue;
    - iii. Charging State and Federal grants;
    - iv. Charging reserves for uncollected taxes to appropriations; and
    - v. Recording non-municipal tax levies;
  6. Recording the adoption of bond ordinances; and
  7. Recording grant awards.
- (h) The general ledger is the final record in which a financial transaction is recorded. An accounting transaction is not to be considered completed, unless it is:



1. Documented and supportable;
2. Recorded in the applicable book of original entry; and
3. Posted from the book of original entry to the affected general ledger accounts.

(i) At the beginning of the local unit's fiscal year, before any current period transactions are recorded, the general ledger accounts shall reflect opening balances in assets, liability, reserves, and fund balance only. All books of original entry shall be closed at the end of each accounting period by totaling the recorded transactions and posting the totals to the general ledger. Totals for all funds shall be posted to the general ledger on at least a monthly basis.

(j) General ledger accounts shall reflect the following normal balances at the end of each accounting period:

1. Balance sheet accounts, as follows:
  - i. Assets – debit balances;
  - ii. Liabilities – credit balances;
  - iii. Reserves – credit balances; and
  - iv. Fund balance – credit balances; and
2. Budgetary and operating accounts, as follows:
  - i. Anticipated revenues – debit balances;
  - ii. Appropriations – credit balances;
  - iii. Revenues – credit balances;
  - iv. Expenditures – debit balances; and
  - v. Encumbrances – debit balances.

## Appendix B

### Minimum Surety Bond Schedule: Chief Financial Officers (Municipalities & Counties)

<u>Exposure Index*</u>	<u>Bond Amount</u>	<u>Exposure Index*</u>	<u>Bond Amount</u>
<u>0 - 25,000</u>	<u>15,000 – 25,000</u>	<u>4,175,000 – 5,000,000</u>	<u>350,000 – 400,000</u>
<u>25,000 – 125,000</u>	<u>25,000 - 50,000</u>	<u>5,000,000 – 6,075,000</u>	<u>400,000 – 450,000</u>
<u>125,000 – 250,000</u>	<u>50,000 – 75,000</u>	<u>6,075,000 – 7,150,000</u>	<u>450,000 – 500,000</u>
<u>250,000 – 500,000</u>	<u>75,000 – 100,000</u>	<u>7,150,000 – 9,275,000</u>	<u>500,000 – 600,000</u>
<u>500,000 – 750,000</u>	<u>100,000 – 125,000</u>	<u>9,275,000 – 11,425,000</u>	<u>600,000 – 700,000</u>
<u>750,000 – 1,000,000</u>	<u>125,000 – 150,000</u>	<u>11,425,000 – 15,000,000</u>	<u>700,000 – 800,000</u>
<u>1,000,000 – 1,375,000</u>	<u>150,000 – 175,000</u>	<u>15,000,000 – 20,000,000</u>	<u>800,000 – 900,000</u>
<u>1,375,000 – 1,750,000</u>	<u>175,000 – 200,000</u>	<u>20,000,000 – 25,000,000</u>	<u>900,000 – 1,000,000</u>
<u>1,750,000 – 2,125,000</u>	<u>200,000 – 225,000</u>	<u>25,000,000 – 50,000,000</u>	<u>1,000,000 – 1,250,000</u>
<u>2,125,000 – 2,500,000</u>	<u>225,000 – 250,000</u>	<u>50,000,000 – 87,500,000</u>	<u>1,250,000 – 1,500,000</u>
<u>2,500,000 – 3,325,000</u>	<u>250,000 – 300,000</u>	<u>87,500,000 – 125,000,000</u>	<u>1,500,000 – 1,750,000</u>
<u>3,325,000 – 4,175,000</u>	<u>300,000 – 350,000</u>		

\* The exposure index represents 10 percent of a municipality or county's total revenues.