



**LFN 2023-07**

**March 29, 2023**

# Local Finance Notice

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## Proposed Readoption of N.J.A.C. 5:30 with Amendments & New Rules

At its January 11, 2023 meeting, the Local Finance Board (Board) voted to propose the readoption of N.J.A.C. 5:30 (hereinafter Chapter 30) with various amendments and new rules. The Notice of Proposed Chapter Readoption, published in the New Jersey Register on February 21, can be found [here](#) and [here](#) on the Division of Local Government Services' [Rules and Regulations](#) webpage under the "Proposed Rules" heading.

This Local Finance Notice highlights key updates and substantive changes proposed by the Board; however, officials should read the entirety of the Notice of Proposed Chapter Readoption for a complete description of all proposed amendments and new rules. While some proposed updates are codifications of existing guidance and policies, the Board is proposing several significant changes that warrant close attention.

Any comments on the Notice of Proposed Chapter Readoption shall be submitted by April 22, 2023, either via email to [dlgs@dca.nj.gov](mailto:dlgs@dca.nj.gov) or by regular mail to:

Nick Bennett, Executive Secretary  
Local Finance Board  
Department of Community Affairs  
PO Box 803  
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For comments submitted through email, please include the subject heading "N.J.A.C. 5:30 Proposed Chapter Readoption."

## Distribution

All Local Government and  
School Business Officials  
Auditors

## 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: Municipal Port Authorities (proposed to be repurposed as “Municipalities Under State Supervision” with current content to be 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 Payroll Purposes (proposed to be retitled “Electronic Disbursement Controls for Authorized Third-Party Disbursement Services”)

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 proposed to be also applied to joint meetings (now known as regional service agencies). Subchapters 7, 10, and 13 apply to municipalities. Subchapter 14 (LOSAP) applies to municipalities and fire districts.

The Board proposes readopting Subchapters 11, 12, 14, and 18 without change.

## Chapter 30 - Proposed Amendments and New Rules

Several key updates proposed for adoption are outlined below:

### Subchapter 1

Amendments to N.J.A.C. 5:30-1.11 would:

- require a realized revenue report to list, for each revenue, the budgeted amount, realized amount, percent realized, and amount not realized; and
- permit the Director of the Division of Local Government Services (Director) to request a realized revenue report and approve the form thereof, in addition to the Board.

### Subchapter 2

New rule N.J.A.C. 5:30-2.7 would address useful life determinations by the Director where none are otherwise specified for a capital improvement under the Local Bond Law, implementing N.J.S.A. 40A:2-22.1.

### Subchapter 3

- New rule N.J.A.C. 5:30-3.7 and amendments to N.J.A.C. 5:30-3.1 and 3.3 would codify guidance in [Local Finance Notice 2017-25](#) pertaining to the county entity budget request cap.
- In addition to codifying various procedures for budget introduction and adoption by municipalities and counties, including submission of budgets through the Financial Automation Submission Tracking (FAST) system, N.J.A.C. 5:30-3.2 would be amended to prohibit a municipality from adopting its annual budget unless the municipality has submitted to the Division a user-friendly budget section corresponding with its previous year's adopted budget.
  - This provision shall not be interpreted to allow a municipality to avoid submitting the user-friendly budget section of the adopted budget along with the full adopted budget when it is being submitted to the Division.
- N.J.A.C. 5:30-3.3 would be amended to:
  - Clarify that, in the case of dedications by rider not requiring prior Director approval, the Division must still get a copy of the adopted resolution.
  - Allow a municipality with an Urban Enterprise Zone (UEZ) to establish, without Director approval, a dedication by rider for a UEZ trust fund. Implements [N.J.S.A. 52:27H-88.a\(2\)](#) which requires UEZ municipalities to hold, in a trust, UEZ funds received from the State Treasurer.

- Cross-reference N.J.A.C. 5:30-9.9, which requires surcharges and convenience fees charged for electronic receipt transactions (e.g., ACH, credit card) to be deposited into a dedicated trust fund account titled “Electronic Receipt Fees.”
- N.J.A.C. 5:30-3.8 would be amended to:
  - No longer require municipalities to submit to the Division the user-friendly budget section of the introduced budget; however, municipalities would still need to complete a user-friendly budget section corresponding with the introduced budget for the benefit of the public.
  - For accumulated absence liability, to require a municipality to list, as of the final day of the prior budget year:
    - the gross number of days of accumulated absences and the dollar value of same as of the final day of the prior budget year broken down by:
      - bargaining unit in the case of unionized employees and;
      - individual position in the case of non-unionized employees (not the individual’s name), with non-union employees holding more than one position reported based on the accumulated absence liability for all positions held.
    - For each individual position, regardless of whether part of a collective bargaining unit, for which an individual serving therein is subject to restrictions on accumulated absence compensation and/or accumulation pursuant to law.
- New rule N.J.A.C. 5:30-3.12 would require a municipality that, pursuant to N.J.S.A. 40:62-3 or 40:62-3.1, seeks to sell or lease its water, sewer, or other municipally-owned public utility services to another entity to provide the Division with a copy of the resolution and/or 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 days of final adoption.
- New rule N.J.A.C. 5:30-3.13 would require a municipality or county to provide the Division with a certified copy of the ordinance or resolution authorizing a referendum on the municipal appropriations cap or on any tax levy question (e.g., municipal or county levy cap, open space) within five days of adoption. A copy of the ballot question and any notice published regarding the referendum shall also be provided, along with the certified results of the referendum, within five days of the receipt thereof.

#### Subchapter 4

Would implement certain provisions of the Water Quality Accountability Act (WQAA), specifically Sections 7 and 8 of [P.L. 2021, c. 184](#), by requiring any municipality having its own water system to prepare and adopt a capital budget and capital program annually, which would need to identify

the water infrastructure improvements listed in the annual WQAA capital improvement report submitted to the Department of Environmental Protection (DEP).

- Would allow the Division to withhold approval to adopt a municipal budget due to failure of a capital budget to identify such improvements.
- These amendments would not require the capital budget/program to extend beyond the current three-year/six-year minimums.

#### Subchapter 5

- Would delete language in N.J.A.C. 5:30-5.2 permitting municipalities and counties to sequentially number all purchases charged to non-salary line items through pre-printed multiple copy purchase orders rather than through a computerized encumbrance system.
- New subsection (d) of N.J.A.C. 5:30-5.3, and amended subsections (a)4 and (b) of N.J.A.C. 5:30-5.4 and N.J.A.C. 5:30-5.5(b)(2), would require local authorities and fire districts that do not maintain an encumbrance accounting system to maintain a record of all open contracts, including open purchase orders, and for purchases not requiring formal action of the board of commissioners, for the individual approving the contract to consult the list of open contracts in determining whether there are sufficient uncommitted appropriations to provide for the payment.
- Would amend N.J.A.C. 5:30-5.7 to:
  - Require all local units, including authorities and fire districts, to maintain a general ledger for all funds instead of just the current fund.
  - Codify guidance in [Local Finance Notice CFO 2003-14](#) concerning the maintenance of general ledger accounting systems, except that all local units, including authorities and fire districts, would now be required to post the totals for all funds to the general ledger on at least a monthly basis. Current guidance states that funds with minimal complexity or few transactions may be done only at the end of the fiscal year.

#### Subchapter 6

- Would amend N.J.A.C. 5:30-6.1 to:
  - Apply to joint meetings (now known as regional service agencies) the accounting and auditing requirements applicable to municipalities and counties.
  - State that municipal, county, and joint meeting audits may list the most recent available Governmental Accounting Standards Board (GASB) 68 and 75 information, rather than wait for the most current version as entities subject to Generally Accepted Accounting Principles (GAAP) accounting must do.

- Update references to NJ's OMB Circular and the federal OMB regulation codifying the former Circular A-133.
- Codify the current incorporation of a solid waste collection district audit into the municipal audit.
- Would codify the current process for submitting an audit to the Division.
- Would codify the process for publishing a synopsis of the audit and corrective action plan, 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.
- Would codify the process for an auditor to notify the Division upon the discovery of fraud or illegal acts, including the form of the confidential report.

#### Subchapter 7

Would amend N.J.A.C. 5:30-7.4 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;
- Municipalities where, 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 municipal finance officer pursuant to N.J.S.A. 40A:9-140.13;
- Municipalities where, 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
- Where, 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.

#### Subchapter 8

- Would update regulations concerning surety bond coverage provisions to:
  - Conform with the provisions of P.L. 2013, c. 2 that permit blanket bond coverage for chief financial officers, tax collectors, and municipal court judges and administrators.

- Establish as mandatory the heretofore recommended surety bond schedule for chief financial officers.
- Amend the exposure index for chief financial officers and tax collectors to include additional categories of revenue handled by those officials.
- For tax collectors, clarifying that the term “tax duplicate” refers to all tax levies.
- New rule N.J.A.C. 5:30-8.6 would establish 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 permissible administrative fees.
- Would amend N.J.A.C. 5:30-8.8 to implement annual reporting for long-term PILOTs separate from the municipal user-friendly budget. The amendments would remove the reporting from the Annual Financial Statement (AFS), which to date has not been implemented, instead making the report stand-alone. Submission would coincide with the AFS submission deadline.
- New rule N.J.A.C. 5:30-8.11 would implement N.J.S.A. 40A:26B-11 by establishing required content and procedures for annual stormwater utility reporting.

#### Subchapter 9

Would 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
- Funds 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 along with those offering check-cashing services.

#### Subchapter 9A

Proposed amendments to N.J.A.C. 5:30-9A.6 would clarify this provision’s relationship to N.J.S.A. 40A:5-16.b, which establishes the general requirement that an officer or duly designated employee of the local unit certify that goods or services have been received prior to the local unit making payment for same, and would further clarify that the certification requirement at N.J.S.A. 40A:5-16.b applies absent another statute or a Board regulation expressly authorizing advance payment.

### Subchapter 10

- For a municipality's eligibility to be placed under State Supervision, would define 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.
- Would further define 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 pursuant to N.J.S.A. 40A:4-19, 19.1, or 20, as applicable, and make such disbursements directly if the municipality fails to do so.
- Would codify 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.

### Subchapter 15

- Would update the subchapter to reflect various statutes pertaining to accumulated absence liability and codify guidance in [Local Finance Notice 2008-10](#).
- Would apply the provisions of this subchapter to joint meetings/regional service agencies.
- Would amend N.J.A.C. 5:30-15.3 to:
  - Require a more detailed breakdown of the local unit's accumulated absence liability to be reported on the introduced and adopted budget.
  - For municipalities, require the accumulated absence liability to be included only in the User-Friendly Budget (UFB) section of the introduced and adopted budget, but require the UFB accumulated absence page for the adopted budget to be submitted to the auditor.
- Would amend N.J.A.C. 5:30-15.4 to require documentation of an employee's hire date and the amount of accrued absence time before compensation can be paid out to an employee.
- New rule N.J.A.C. 5:30-15.10 would require, 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; and
    - determine 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 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.

#### Subchapter 16

Would add the following officials to those required to be registered with GovConnect:

- Business administrators and municipal managers;
- County administrators and managers;
- Individuals appointed by governing body to serve as the local unit's qualified purchasing agent (QPA); and
- Individuals appointed by governing body to serve as the local unit's Certified Public Works Manager.

#### Subchapter 17

- Would amend N.J.A.C. 5:30-17.1 (Purpose) and N.J.A.C. 5:30-17.2 (Definitions) to further clarify that no local unit or school district may utilize a third-party disbursement service for a purpose not expressly authorized by the Board.
- Would update N.J.A.C. 5:30-17.5 and N.J.A.C. 5:30-17.6 to reference latest auditing attestation standard for third-party disbursement service financial controls.

### **Conclusion**

The proposed updates to Chapter 30 are meant to enhance fiscal oversight while providing greater clarity to local units. Local officials are strongly encouraged to review the entirety of the proposed changes and submit comments if desired.

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Approved: Jacquelyn A. Suárez, Director

Document	Internet Address
DLGS Rules & Reg Webpage	<a href="https://www.nj.gov/dca/divisions/dlgs/resources/rules_reg.html">https://www.nj.gov/dca/divisions/dlgs/resources/rules_reg.html</a>
Notice of Proposed Readoption (Word version)	<a href="https://www.nj.gov/dca/divisions/dlgs/resources/rules_docs/(F)PRN_2023-015_(DCA-LFB_5_30).pdf">https://www.nj.gov/dca/divisions/dlgs/resources/rules_docs/(F)PRN_2023-015_(DCA-LFB_5_30).pdf</a>
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N.J.S.A. 52:27H-88.a(2)	<a href="https://pub.njleg.state.nj.us/Bills/2020/PL21/197_.PDF">https://pub.njleg.state.nj.us/Bills/2020/PL21/197_.PDF</a>
P.L. 2021, c. 184	<a href="https://pub.njleg.state.nj.us/Bills/2020/PL21/184_.PDF">https://pub.njleg.state.nj.us/Bills/2020/PL21/184_.PDF</a>
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Local Finance Notice 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>