

New Jersey Division of Local Government Services Calendar Year Municipal Budget Process Instructions

Budget Calendar

The statutory dates for calendar year municipalities for introduction of 2004 budget and filing of the 2003 Annual Financial Statement is February 10th. The statutory date for counties for the 2004 budget and 2003 Annual Financial Statement is January 26th.

In the event that the Legislature acts to delay the state budget submission until the end of February, the Division encourages municipalities to adhere to the statutory deadlines by anticipating the formula aid amounts at the CY 2003 level. Extraordinary Aid anticipation is prohibited. Any final adjustments to the annual budget may be corrected through the budget amendment process.

New Annual Financial Statement Sheets

New Annual Financial Statement sheets are included to present trust fund reserve activity and schedules of capital lease program obligations. The new sheets are 6b, 34a, 51a and 65a. These sheets were added to reduce requests for information by budget examiner. Also, sheet 1c was revised to include as part of the certification of a non-qualifying municipality, the item number of the criteria that causes your municipality to be disqualified.

The Annual Debt Statement sheet 10 was revised to include a category for the deduction of Refunding Bond obligations, which was part of the revisions of the Bond Law.

Please be sure to include these revisions in your documents to avoid delays in processing. As in the past, all financial documents must adhere to the forms as promulgated by the Local Finance Board, which are available on our website.

Sample Budget Publication Form

N.J.S.A. 40A: 4-61 contains the advertisement requirements of the budget document by permitting a summary that meets the minimum requirements set forth in the law. A sample publication form for municipalities and counties is available on the web site of Financial Regulation and Assistance at www.nj.gov/dca/lgs. This form meets the minimum required by law, though publication of additional detail is encouraged and printing the full document is permitted. **If the summary is used, copies of the complete budget must be made available to the public free of charge during the public hearing process, upon request.**

With regard to the model form:

- The Summary of Appropriations section entitled "Final 2003 Budget" refers to the 2003 budget as modified by all transfers.
- Items No. 2 and No. 4 on the municipal form and item No. 4 on the county form "Deferred Charges and Other Appropriations" refer to those categories that do not conform to any of the other categories.
- Total Revenues and Total Appropriations must balance.

Budget Review - Local Examination

N.J.S.A. 40A:4-78(b) and rules promulgated by the Local Finance Board permit certain municipalities in sound fiscal condition to assume the responsibility, normally granted to the Director of the Division, of conducting the annual budget examination required by the Local Budget Law.

The rules require that all documents associated with the budget process be filed with the Division, regardless of local examination status. It is critical for local officials to understand that participation in the program does not relieve them from filing with the Division all budget documents that are normally filed. This includes three copies of the introduced and adopted budgets, special item checklists, and any other documentation that is normally part of the budget review process. The Division must have a complete file for every municipality, regardless of who examines the budget.

The group number and eligibility status of your municipality is on your Municipal Information Sheet. A spreadsheet is also available on the Financial Regulation and Assistance web site with your eligibility status. Group 2 will be examined by the Division for CY 2004. Groups 1 and 3 are eligible for local examination. The qualification form completed by the Chief Financial Officer is part of the Annual Financial Statement.

If your municipality has conducted an accelerated tax lien sale for fewer than three consecutive years, the municipality does **not qualify** for local examination of the budget. If accelerated sales have been conducted for more than three years, the requirement for Division review has been eliminated.

In addition, applicants for Extraordinary Aid cannot participate in Local Examination and must file with the Division. This new procedure is necessary to ensure that municipalities follow the requirements of the Extraordinary Aid Program.

Also, those municipalities whose audits contain a finding that they do not maintain a general ledger for at least the current fund will not be eligible for local examination.

Even though a municipality may successfully pass the eligibility and qualification process for local examination, the governing body may choose to have the Director conduct the examination. The Chief Financial Officer cannot elect this option. The governing body must pass a resolution waiving its rights to locally examine the budget, and request the Director to conduct the examination. This choice must be made before the introduction of the budget.

If the municipality is deemed eligible and qualifies for local examination, the examination must be completed, pursuant to N.J.S.A. 40A:4-45.3, 4-76 and 77 and any other applicable statute. Before the budget adoption, the Chief Financial Officer and governing body must both agree that these requirements have been met. To complete the process, the Chief Financial Officer must certify on the forms distributed with the budget packages and the governing body must execute a resolution approved by the majority of its full membership. A sample resolution and CFO certification are also available on our website at www.nj.gov/dca/lgs.

The Division will signify acceptance of the adopted budget by certifying the levy to the County Board of Taxation. You will not receive a copy of the budget in the mail.

Special Items of Revenue

As implemented several years ago, the Division no longer requires the submission of special items of revenue resolutions. Use the special item checklist to determine the documentation required by the Division, send one copy with your approved budget and be sure all special item documentation is filed with the Division.

Accelerated Tax Sale/Levy Sale

Proceeds realized from an accelerated tax sale or a levy sale should not be included as part of the tax collection rate per the enabling legislation. Two Annual Financial Statement sheets are used in these calculations. On

Sheet 22 of the Annual Financial Statement, the proceeds from these two sales should be included in the calculation. On Sheet 22a, the percentage of collection is calculated minus these proceeds. The first year you conduct an accelerated tax sale, sheet 25, the Reserve for Uncollected Taxes Calculation, is calculated using the percentage of collection from sheet 22. Sheet 25a provides the calculation reducing the reserve for uncollected taxes by the proceeds of the accelerated tax sale. (Also, see information under Budget Review - Local Examination for important information.)

The first year the reserve for uncollected taxes is reduced as the result of an accelerated tax sale, prior to the adoption of the budget, the Chief Financial Officer must provide the governing body with a fiscal analysis of the impact of the action. The governing body must also pass a resolution authorizing the accelerated tax sale each year prior to the adoption of the budget. A fiscal impact analysis is also required for a tax levy sale. The governing body must also pass a resolution prior to the adoption of the budget and the contract must be in place and approved by the Division prior to the adoption of the budget. Detailed information about accelerated tax sales and tax levy sales are found in Local Finance Notices MC-97-5, CTC-97-4 and CTC-97-5.

Alternate Calculation of Reserve for Uncollected Taxes

N.J.S.A. 40A:4-41(c), enacted into law in 1997 (P.L. 1997, c.28), provides alternate methods of calculating the reserve for uncollected taxes. One method permits the use of a three-year average, instead of using the prior year collection rate, and can be used by any municipality. The other method can only be used if the amount of tax refunds paid in the prior year exceeded one percent of the total tax levy and permits a calculation of the reserve, using a collection rate that eliminates the impact of the refunds from the calculation. To utilize either provision, requires a governing body resolution **adopted prior** to the introduction of the budget. Recent advice from the Attorney General's office requires that this timing requirement cannot be waived to allow passage after introduction; **it must be adopted prior to introduction.**

Amendments and Budget Adoption

The Registered Municipal Accountant must certify amending resolutions for mathematical accuracy. Regardless of the municipality's local examination status, amending resolutions must be submitted to the Division promptly upon introduction. N.J.S.A. 40A:4-9 contains the requirements for publication of amendments. If the amendment does not require advertisement, the municipality may amend and adopt at the same meeting, provided the Division, prior to the meeting, approves a copy of the amendment.

Municipalities conducting a local examination are subject to publication requirements and must file the amendment with the Division, though Division approval is not required.

The Chief Financial Officer must ensure that amendments and other changes required by the Division are applied to the adopted budget. Additionally, Section Two of the adopted budget must be verified for accuracy. Special attention by the Chief Finance Officer should be paid to amendment reviews where Local Examination is in effect.

Upon receipt of the adopted budget and verification of the levy, the Division will certify the municipal or county purpose tax levy to the County Board of Taxation. A municipality with a Type I school should submit the Board of School Estimate resolution setting the school levy, the concurring resolution of the municipal governing body, if applicable, and a copy of the A4F form to the Division.