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Local Finance Notice

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Distribution

Authority Officials

Fire District Officials

Auditors

Regulatory Chapter Readoption: Authority and Fire District Budgets

The Local Finance Board has readopted [N.J.A.C. 5:31](#), the chapter of rules pertaining to local authority budgets and financial administration, with the readoption incorporating significant stakeholder input. This readoption contains extensive rule changes corresponding to revised statutes, current regulatory guidance and forms. Most amendments serve to codify previously existing requirements without change.

This Notice will review the amendments implementing new changes or modifying existing requirements. The [original rule proposal](#) identifies the new and amended rules, all of which were adopted without change from the proposal. Updated regulatory text for each Subchapter is accessible under the Division of Local Government Services' [Rules and Regulations](#) webpage.

Key Regulatory Changes Impacting Authorities and Fire Districts

The following amendments and new rules represent changes to current authority and fire district budget and finance regulations:

Budget Forms (N.J.A.C. 5:31-2.1; 5:31-2.4)

- Authorities and fire districts no longer need to identify those individuals listed on the public entity compensation schedule (Page N-4 for authority and fire district commissioners, key employees, highest compensated employees, and independent contractors) that have, or have had, a family or business relationship with any other person listed on the schedule.
- Moves the question on compliance with debt issuance continuing disclosure obligations from the budget informational questionnaire to the audit questionnaire. Revisions to the authority and fire district audit questionnaires are further discussed below.

- Authorities or fire districts are no longer required to report the income that commissioners, officers, key employees, and highest compensated employees receive from public entities other than the authority or fire district submitting the budget.
- Only regional authorities are now required to answer whether all individuals classified as “local government officers” under the Local Government Ethics Law (N.J.S.A. 40A:9-22.1 et seq.) have filed Financial Disclosure Statements pursuant to said Law.

The fire district budget forms on FAST have been amended to incorporate the above-referenced changes. Pending the implementation of FAST for authority budgets, authorities can skip the above-referenced questions on the current budget forms.

Audits (Subchapter 7 Appendices A, B and C)

- The authority and fire district audit questionnaires in Appendices A and B have been updated to incorporate questions on timely debt service payment, bond covenant compliance, and electronic funds transfers, along with additional questions pertaining to authority financial administration. The audit questionnaire no longer contains a sinking funds question.
- The resolution in Appendix C for governing body review of an authority or fire district audit now requires the governing body to certify to having reviewed not only the “General Comments and Recommendations” section of the audit report, but also the section entitled “Schedule of Findings and Questioned Costs.” This change was made to conform the resolution with the requirements of N.J.S.A. 40A:5A-17.

The Word document version of these audit-related forms are available on the Division’s [Authority Budgets](#) webpage under the “Authority Audits” heading.

Fire District Elections and Referendums

(N.J.A.C. 5:31-2.4; 5:31-2.15; Subchapter 2 Appendices A through J)

- Extends from three days to 10 days the length of time for a board of fire commissioners to certify a February election, levy cap referendum, or restricted fund balance referendum. Fire districts may request Director approval to further extend the certification deadline.
- A multi-year operational lease for a fire engine is now considered capital financing that must be approved at a special election.
- Form and content of the following documents are now standardized by rule:
 - Resolution Authorizing Levy Cap Referendum (Appendix A)
 - Resolution Authorizing Restricted Fund Balance Release Referendum (Appendix B)
 - Special Meeting Affidavit – Notice Posting & Publication (Appendix C)
 - Special Meeting Results Certification (Appendix D)
 - Special Election Results Certification (Appendix E)
 - Public Question for Levy Cap Referendum (Appendix F)
 - Public Question for Restricted Fund Balance Release Referendum (Appendix G)
 - Special Election Affidavit – Notice Posting & Publication (Appendix H)
 - February Election Results Certification (Appendix I)
 - Results Certification – Levy Cap & Restricted Fund Balance Referendum (Appendix J)

The Word document versions of these standardized forms are available on the Division's [Authority Budgets webpage](#) under the "Fire District Budget" heading.

Operational Leases (N.J.A.C. 5:31-2.18)

- Prohibits any authority or fire district from amending an operational lease agreement after execution to become a lease-purchase agreement.

Regional Sewerage Authority Appropriations and Revenue Caps
(N.J.A.C. 5:31-2.19 through 2.22)

- **Applies only to a regional sewerage authority located in Hudson County.** Implements two percent (2%) revenue and appropriations caps established under N.J.S.A. 40:14A-4.2. Starting with the FY2022 budget, a regional sewerage authority to whom the law applies must complete a cap workbook demonstrating a cap-compliant budget. A completed cap workbook will be posted in the near future.

Cash Management (N.J.A.C. 5:31-3.1)

- Authorities and fire districts now have up to 96 hours from the time of initial receipt to deposit funds into the authority's or fire district's depository, so long as the funds are paid over to the officer charged with the custody of the authority's general funds within 48 hours after the initial receipt thereof. This conforms with the period of time municipalities and counties have to make deposits under N.J.S.A. 40A:5-15. An authority's or fire district's CFO, treasurer or equivalent receiving funds must still deposit those funds within 48 hours.
- Expressly authorizes authorities and fire districts to invest in securities and other instruments that are permitted under N.J.S.A. 40A:5-14 of the Local Fiscal Affairs Law.
- No officer of an authority or fire district shall accept in receipt of the payment of any fee or other charge a check exceeding the amount due. This provision conforms with N.J.A.C. 5:30-8.5(a) applicable to municipalities and counties.

Financial Administration & Employee Reimbursements
(N.J.A.C. 5:31-4.1; 5:31-5.1; 5:31-6.1 and 6.2)

- Requires authorities and fire districts to utilize electronic systems or services for financial, payroll, and revenue accounting.
- Encourages authorities and fire districts to provide, separate and apart from their blanket fidelity bond, a fidelity bond with faithful performance coverage for the individual holding overall management responsibility for the authority's or fire district's finances. The schedule in N.J.A.C. 5:30-8.2 should serve as the basis for the fidelity bond amount.
- Requires the individual holding overall management responsibility for an authority's or fire district's finances to notify the Director in the event the authority or fire district has defaulted, or faces a reasonable likelihood of defaulting, in paying principal or interest on any debt obligations.
- Expressly prohibits authorities and fire districts from reimbursing employees for purchases of alcohol or other recreational intoxicating substances.

Document	Internet Address
NJAC 5:31 Notice of Chapter Readoption	https://www.nj.gov/dca/divisions/dlgs/resources/rules_docs/R.2021_d.006_(53_N.J.R._53(a)).pdf
N.J.A.C. 5:31 Original Notice of Proposal	https://www.nj.gov/dca/divisions/dlgs/resources/rules_docs/PRN_2020-071_(52_N.J.R._1489(a)).pdf
Rules & Regs Page	https://www.nj.gov/dca/divisions/dlgs/resources/rules_reg.html
Auth. Budgets Page	https://www.nj.gov/dca/divisions/dlgs/programs/au_budgets.html