

LOCAL FINANCE BOARD - FINANCIAL ADMINISTRATION

5:30-8.1 Electronic data processing systems for financial, revenue, and property tax accounting

- (a) Local units utilizing electronic data processing systems or services for financial, payroll, revenue, or property tax accounting, and equipment used for cash receipting purposes, are subject to the following provisions:
1. Local units procuring or upgrading systems or services after June 1, 1998 shall ensure that they meet the following requirements:
 - i. Transaction recording and reporting elements shall provide audit trails and reports that meet generally accepted government accounting standards, and meet requirements of audit, Technical Accounting Directives and all relevant provisions of the Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.).
 - ii. For property tax accounting systems, the vendor or system owner, and the local unit's certified tax collector, shall certify that they have tested and found that any automated calculation of interest or penalty meets the appropriate requirements of N.J.S.A. 54:4-1 et seq. and any local ordinance or resolution related thereto.
 - iii. For revenue accounting systems, the vendor or system owner, and the local unit chief financial officer, shall certify that they have tested and found that any automated calculation of billing, amount due, interest, or penalty meets the requirements of any statute or local unit ordinance or resolution for those revenues maintained by the system.
 2. Each local unit shall adopt and maintain appropriate internal control practices related to password or other security controls to ensure integrity of transactions, creating and maintaining back-up files, and documentation of system operations.
 3. All systems and services shall be capable of handling transactions, making calculations, storing dates, and properly operating as of, or with information dated on or after, January 1, 2000, on the following timetable: local units operating on a calendar fiscal year, as of December 31, 1998, and local units operating on any other fiscal year, by June 30, 1998. Local units shall obtain vendor certifications, perform tests, or take other appropriate action to ensure these deadlines are met.
 4. The requirements of this section shall be subject to review by the local unit auditor as part of the annual review of internal controls. Failure of a local unit

to comply with (a)3 above shall be noted in the general comments and recommendations section of the annual audit.

Repealed by R.1979 d.16, effective January 17, 1979. Recodified by R.1990 d.383, effective August 6, 1990. Repeal and New Rule, R.1998 d.307, effective June 15, 1998.

5:30-8.2 Recommended surety bond coverage for chief financial officers

(a) Local units are encouraged to provide a fidelity bond with faithful performance coverage for the chief financial officer or other individual holding overall management responsibility for the local unit's finances separate from the local unit's blanket fidelity bond.

(b) The following schedule is recommended as the basis for the bond amount:

1. The exposure index from which the amount of the bond is calculated, is 10 percent of the total revenues of the local unit, including, but not limited to:
 - i. "Pass through" revenues, such as property tax levies for municipalities;
 - ii. Current, trust, capital and utility funds for municipalities or counties; and
 - iii. General and special purposes funds for each enterprise of an authority.

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

5:30-8.3 Minimum surety bond coverage for tax collectors

(a) Each tax collector and collector of utility rents shall be bonded with a surety bond calculated as follows:

1. The minimum requirement for the surety bond of each tax collector shall be such percentage of the preceding year's tax duplicate as is required by the schedule set forth in this subsection.
2. The minimum requirement for the surety bond of each collector of utility rents shall be such percentage of the preceding year's utility charges as is required by the schedule set forth in this subsection.
3. Tax Levy or Utility Charges Minimum Bond Required

Up to \$100,000	25% of the Levy
\$100,000 to \$250,000	\$25,000+ 8% of all over \$100,000
\$250,000 to \$500,000	\$37,000+ 6% of all over \$250,000
\$500,000 to \$750,000	\$52,000+ 4% of all over \$500,000
\$750,000 to \$1,000,000	\$62,000+ 2% of all over \$750,000
\$1,000,000 to \$2,000,000	\$67,000+ 1% of all over \$1,000,000
\$2,000,000 to \$5,000,000	\$77,000+ 1/2 % of all over \$2,000,000
\$5,000,000 and upwards	\$92,000+ 1/4 % of all over \$5,000,000

4. Local units are encouraged to utilize the following recommended amounts in lieu of the minimum amounts in order to provide a higher level of security of public funds:

Up to \$200,000	25% of the Levy
\$200,000 to \$350,000	\$50,000+ 8% of all over \$200,000
\$350,000 to \$500,000	\$62,000+ 6% of all over \$350,000
\$500,000 to \$1,000,000	\$71,000+ 4% of all over \$500,000
\$1,000,000 to \$2,500,000	\$91,000+ 2% of all over \$1,000,000
\$2,500,000 to \$5,000,000	\$121,000+ 1% of all over \$2,500,000
\$5,000,000 and upwards	\$146,000+ 1/2% of all over \$5,000,000

(b) The following additional provisions shall apply to such surety bonds:

1. In fixing such minimum bond, the nearest even \$1,000 shall be used.
2. When the collector of taxes and the collector of utility charges is the same person, the minimum surety bond coverage shall be computed separately. The required amounts shall be combined in a single surety bond.
3. The minimum coverage arrived at by use of the foregoing schedule shall be an overall minimum amount where there is more than one person in the office. The several persons handling funds should be bonded in accordance with their responsibility.

4. In any case where a municipality desires to substitute for the foregoing method any other method which it deems satisfactory and which complies with the provisions of the existing statutes, such substituted procedure, shall, if approved by the Local Finance Board, be deemed to comply with this chapter.

Repealed by R.1979 d.16, effective January 17, 1979. New Rule R.1990 d.383, effective August 6, 1990. Amended by R.1998 d.307, effective June 15, 1998.

5:30-8.4 Minimum surety bond requirements for municipal courts

- (a) Every municipal court judge and municipal court administrator shall be bonded with a surety bond in a minimum amount in accordance with the following schedule:

Total Annual Receipts	Minimum Bond Required
\$1 to \$5,000	\$2,000
\$5,000 to \$10,000	\$2,000 + 30% of all over \$5,000
\$10,000 to \$20,000	\$3,500 + 25% of all over \$10,000
\$20,000 to \$50,000	\$6,000 + 15% of all over \$20,000
\$50,000 to \$100,000	\$10,500 + 12% of all over \$50,000
\$100,000 to \$200,000	\$16,500 + 8% of all over \$100,000
\$200,000 to \$500,000	\$24,500 + 5% of all over \$200,000
\$500,000 to \$1,000,000	\$39,500 + 2% of all over \$500,000
\$1,000,000 and up	\$49,500 + 1% of all over \$1,000,000

- (b) Local units are encouraged to utilize the following recommended amounts in lieu of the minimum amount in order to provide a higher level of security of public funds.

\$1 to \$10,000	\$2,500
\$10,000 to \$25,000	\$2,500 + 30% of all over \$10,000
\$25,000 to \$50,000	\$5,500 + 25% of all over \$25,000
\$50,000 to \$100,000	\$11,750 + 15% of all over \$50,000
\$100,000 to \$200,000	\$19,250 + 12% of all over \$100,000
\$200,000 to \$500,000	\$31,250 + 8% of all over \$200,000
\$500,000 to \$1,000,000	\$47,250 + 5% of all over \$500,000
\$1,000,000 and up	\$72,250 + 2% of all over \$1,000,000

- (c) The municipal judge and the municipal court administrator shall be bonded in such amount as may be deemed appropriate and adequate under the circumstances, the amount, including all assistants, to be not less than the minimum referred to in (a) above, and in every case where the minimum requirement applies, based on the volume of annual transactions, the municipal judge and the municipal court administrator shall be bonded in the amount of not less than \$1,000 each.
- (d) In those cases where the minimum requirement, based on the volume of business of the Court, calls for an amount in excess of \$2,000, it may be appropriate to bond the

municipal court judge and municipal court administrator, as the case may be, in an amount which shall be above the \$1,000 minimum required by statute to the nearest \$500.00 above said minimum.

- (e) The municipal governing body may allocate the amount of the coverage as between the municipal judge, municipal court administrator, and other employees, in accordance with the financial responsibility of each officer with due regard to the \$1,000 minimum for each individual.
- (f) There shall be a recomputation as to the minimum bond requirement annually and if the bond presently in force is less than the minimum required by the above schedule, the bond shall be increased.
- (g) In all cases, however, a new bond shall be obtained at least every three years, coinciding with the term of office of the municipal court judge.

Repealed by R.1979 d.16, effective January 17, 1979. New Rule R.1990 d.383, effective August 6, 1990. Amended by R.1998 d.307, effective June 15, 1998.

5:30-8.5 Guidelines concerning receipt and custody of public funds

- (a) No officer of a local unit shall accept in receipt of the payment of any tax, license, fee or other charge, a check in excess of the amount actually due.
- (b) Under no circumstances shall said officer engage in the practice of cashing checks with public funds.

Repealed by R.1979 d.16, effective January 17, 1979. New Rule R.1990 d.383, effective August 6, 1990. Amended by R.1998 d.307, effective June 15, 1998.

5:30-8.6 (Reserved)

Recodified by R.1990 d.383, effective August 6, 1990. New Rule R.1990 d.383, effective August 6, 1990. Repealed by R.1998 d.307, effective June 15, 1998.

5:30-8.7 Notice of occurrences

It is the duty and responsibility of the chief financial officer to advise the Division of Local Government Services and the Department of Education, as appropriate, in any case where there might be a prospective default in the payment of principal or interest of any of the local unit's debt obligations.

Repealed by R.1990 d.383, effective August 6, 1990. New Rule R.1990 d.383, effective August 6, 1990. Amended by R.1998 d.307, effective June 15, 1998.

5:30-8.8 Reporting requirements for long-term tax exemption projects

(a) The annual financial statement required for municipalities by the Director pursuant to N.J.S.A. 40A:5-12 shall include a schedule of "Long-Term Tax Exemption Projects." The schedule shall be subject to audit as part of the annual audit of the municipality performed pursuant to N.J.S.A. 40A:5-4. The Director may require the schedule to be prepared and submitted on a computerized spreadsheet or through other computerized form or structure as the Director may specify, as well as, or in lieu of, a printed form.

(b) For each long-term tax exemption project, the schedule shall include the following information:

1. The name of the project;
2. The type of project;
3. An indication of whether the project is located in an approved redevelopment area;
4. An indication if the project is pursuant to an approved redevelopment plan;
5. The taxable value of the project;
6. The date of the financial agreement, date when the tax exemption commenced and the date when the exemption is scheduled to end;
7. The statutory basis for the exemption;
8. The basis for the calculation of the payment in lieu of taxation calculation;
9. For the fiscal year payment obligation represented by the Annual Financial Statement:
 - i. The full payment due under the agreement;
 - ii. The amount paid by the entity responsible for making the payment;
 - iii. The amounts, if any, paid to entities other than the municipality (that is, county, school district);
 - iv. For projects financed through Redevelopment Area Bonds or Revenue Allocation District bonds, the amount of payments pledged for debt service, any unpledged amount received by the municipality, amounts, if any, paid to entities other than the municipality, and any amount paid by the municipality from a debt reserve fund or remitted through a guarantee;

- v. The net amount received by the municipality; and
- vi. If no payment was required, the payment was not made, or a reduced payment was made, an explanation of the circumstances;

10. For such projects, indication if the required annual audit report was received from the urban renewal entity; and

11. Any other such information as the Director may determine necessary for a given project.

(c) The payment schedule of any project approved after September 21, 2009 shall be submitted to the Division of Local Government Services, pursuant to the filing requirements set forth at N.J.S.A. 40A:5-12.

(d) For the purpose of this section, the term "project" means:

1. Any work or undertaking, as defined in the Long-Term Tax Exemption Law at N.J.S.A. 40A:20-3e, for which a tax exemption has been conveyed subject to a financial agreement between a municipality and an urban renewal entity;
2. A housing project financed by the New Jersey Housing and Mortgage Finance Agency, pursuant to N.J.S.A. 55:14K-37;
3. Any work or undertaking involving the remediation of a "qualified real property" and the reuse of such properties for commercial, residential or other productive purposes, pursuant to the Environmental Opportunity Zone Act, N.J.S.A. 54:3-150 et seq.; or
4. Any work or undertaking as defined in the Redevelopment Area Bond Financing Law at N.J.S.A. 40A:12A-64, or Revenue Allocation District Financing Act at N.J.S.A. 52:27D-459 for which the municipality has entered into a financial agreement involving a payment in lieu of taxes or special assessment that is financed under those statutes.

5:30-8.9 Annual Financial Statement; reporting requirement for charitable funds

(a) For a municipality's or county's current year property tax levy, the Annual Financial Statement shall report any charitable fund donations that are creditable toward the current year property tax levy as an offset to the same, including any spillover fund proceeds that may be credited toward the current year property tax levy. Pursuant to N.J.A.C. 5:30-18.3, municipal or county charitable contributions shall be deposited into a dedicated trust fund without independent spending authority.

(b) For county and school district taxes payable by a municipality, the municipality's Annual Financial Statement shall reflect any offset resulting from a county or school district charitable fund, including any spillover fund proceeds.

Recodified by R.1990 d.383, effective August 6, 1990. New Rule R.1990 d.383, effective August 6, 1990. Repealed by R.1998 d.307, effective June 15, 1998. Special new rule, R.2018 d.188, effective September 21, 2018 (to expire June 28, 2019). Adopted concurrent new rule, R.2019 d.052, effective April 30, 2019. Provisions of R.2018 d.188 adopted without change.

5:30-8.10 Acceptance of third party financial organization payments

When authorized through bona fide "bank-by-phone" systems, local units are permitted to accept check based payments made by banks or other financial organizations on behalf of individual persons when authorized by such persons and when such transactions provide payor information.

New Rule, R.1997 d.147, effective March 17, 1997.