

LOCAL FINANCE NOTICE

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Annual Debt Statements and Supplemental Debt Statements

A review of the Annual Debt Statements and Supplemental Debt Statements recently submitted to the Division has raised concerns on the filing requirements, policies and procedures. In addition to the Divisions concerns, recent revisions to the Local Bond Law affect the preparation of both the Annual and Supplemental Debt Statements. This Local Finance Notice is intended as instructional material to restate the filing requirements and up date local officials on the recent changes affecting those filings. Please share this Notice with all individuals involved in the preparation and submission of the Annual and Supplemental Debt Statements.

The Annual Debt Statement (ADS) and Supplemental Debt Statement (SDS) are available on the Division's web site at www.nj.gov/dca/lgs. Click on Financial Regulation and Assistance to locate and print the forms applicable to your municipality's fiscal year. Starting with the State Fiscal Year 2004 ADS forms will no longer be mailed to municipalities. Only exact duplicates of the Division's form may be used. The Division reserves the right to reject any that differ.

Page 1 of both the ADS and SDS must contain a notarized signature of the chief financial officer and include the raised seal and stamp of the notary. (Participants in the pilot program for the submission of electronic ADS are exempt from this requirement). If your municipality does not have a chief financial officer, the document must contain the signature of an acting chief financial officer appointed by resolution of the governing body. Signatures by any other municipal official will **not** be accepted.

Both forms must be completed in its entirety with **two** originals submitted to the Division. To expedite processing, please send the Statements together with all supporting documents to the Division of Local Government Services at P.O. Box 803, Trenton, New Jersey 08625-0803 by regular mail. Do not include debt statements with budget documents, Ch. 159s or other Division filings. Upon review of the Statements, the Division will retain one original and return the other to the municipal clerk in acknowledgement of the filing.

Annual Debt Statement

The statutory date for filing is January 31st for calendar year municipalities and July 31st for fiscal year municipalities. On Page 10, under "Deductions Applicable to Other Bonds and Notes," a new item, Number 5, has been added to report Refunding Bonds, including Pension Refunding Bonds, issued under N.J.S.A. 40A:2-52. N.J.S.A. 40A:2-52 has been amended to clarify that a down payment is not required for refunding bond ordinances. It also provides that unless new debt is added to a refunding bond ordinance, debt authorized by a refunding ordinance is deductible from gross debt in calculating net debt. This ensures that debt is only counted once for net debt calculations. Because of this change and the potential for other changes in the future, it is essential that you use the official form.

Supplemental Debt Statement

All SDS filings must be dated the same as, or prior to the introduction of the bond ordinance (N.J.S.A. 40A:2-10) and a certified copy of the introduced ordinance must accompany the SDS. If you fax a copy of the ordinance to the Division to expedite processing of the SDS, you must follow up and send a copy certified by the municipal clerk.

The Division will **not** process any SDS prior to receipt of the ADS. If you intend to issue new debt and submit a SDS **prior** to the adoption of the annual budget, the year-end ADS must be on file with the Division. In addition, the introduced ordinance, submitted to the Division with the SDS, must contain a clause certifying that the governing body has adopted a temporary capital budget. If you are issuing new debt **after** the adoption of the annual budget, the bond ordinance accompanying the SDS must contain a clause certifying that the governing body has amended the capital budget.

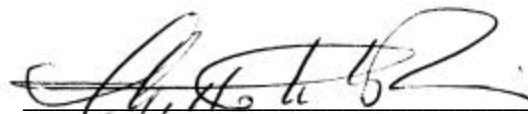
When a SDS is submitted to the Division for school debt, it must be accompanied by a certified resolution of the School Board authorizing the debt and setting a date for the bond referendum.

Page 6, "Computation As To Indebtedness for Improvement or Extension of An Existing Municipal Public Utility" should not be completed unless your municipality has exceeded the debt limitation for purposes that are self-liquidating and deductible from gross debt.

If the issuance of new debt results in your municipality exceeding the 3 1/2% debt limitation, an application for an exception must be filed with the Local Finance Board. An application may be obtained by calling the Board office at 609-292-0479. The Division will not process your SDS until the Board grants approval for the exception.

While the Division will acknowledge receipt of the submission of a completed SDS and certified copy of the introduced bond ordinance, the file will not be deemed completed until a certified copy of the adopted ordinance is received. You will be notified if the Division does not receive the adopted ordinance in a timely manner.

If you have any questions concerning the above information, please contact Deputy Director Joseph Monzo, at 609-292-6613. To follow up on a submitted ADS or SDS, call the processing unit at 609-984-3950 or 609-984-6626.



Matthew U. Watkins, Director
Division of Local Government Services

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