

LOCAL FINANCE NOTICECHRISTINE TODD WHITMAN
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DIRECTOR**Flexible Chart of Accounts –
Modifications and Implementation Issue Resolution**

This Local Finance Notice makes changes to the Flexible Chart of Accounts as implemented in Local Finance Notice CFO-2000-4 and as distributed by the Rutgers Center for Government Services.

Given the timing of the deployment of the FCOA, the Division recognizes that the implementation of the Chart of Accounts has placed varying degrees of burden on finance officers. It is anticipated that the changes made in this Notice and the Division's continuing concern in addressing legitimate individual implementation issues will mitigate these burdens.

We appreciate the efforts CFO's have made to manage its implementation in the short time period that was provided. We know it was an effort for some, however, manageable for most, with remaining problems brought to the Division's attention for resolution. While the Chart was extensively pilot tested by the Rutgers development team, there still are 566 different municipal and 21 different county organizations that had to deploy it. Thus, it was very important that it initially be implemented on a widespread basis to allow users to point out any problems with it. Initial implementation of the chart this year is important as it enables us to test it in a "real world" environment so that final adjustments can be made for next year (2001).

The efforts resulted in feedback from many Chief Financial Officers and Registered Municipal Accountants individually, and through the New Jersey chapters of the Government Finance Officers Association, the County Finance Officers Association, the Government Auditing and Accounting Committee of the State CPA Society, and the League of Municipalities. These organizations are thanked for their assistance in bringing issues to our attention.

As part of this effort, the Division will be updating the document prepared by the Center for Government Services with the revisions in this Notice, and will be reprinting it and mailing it to all Certified Municipal and County Finance Officers and Registered Municipal Accountants. Copies of the current chart will still be available through the Center and the training programs that are continuing through April. Finance Officers that have not taken advantage of these programs are urged to do so at their earliest opportunity. This distribution will take several weeks as we go through the printing procurement process. As the preparation and mailing of the updated version will take several weeks, if your organization still does not have a copy of the Rutgers manual, please contact the Center for Government Services at 732-932-3640, ext. 632 to make arrangements to receive one.

The changes that are made in this Notice may be implemented immediately.

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Utility Accounts

A number of CFO's who have traditionally split utility costs out to operating agencies have brought to our attention the implementation issues created by reallocating these costs and the potential they may have on transfers and emergencies. However, it is important that local units begin keeping track of these expenses on a consolidated basis, using the flexibility of the chart to create user agency sub-accounts as deemed necessary. To that end, the following changes are made:

- The State budget document need only show a single utility line item:
 - 01-201-31-430 Utilities
- If the local unit desires a further breakdown, it may use the following account structure:
 - 435 - Electricity and Natural Gas (previously electricity, 430; street lighting, 435; and gas, 446)
 - 440 - Telecommunications (previously telephone, 440; and telecommunications, 450)
 - 445 - Water (no change)
 - 447 - Petroleum products (previously fuel oil, 445; and gasoline, 460)
 - 455 - Sewerage processing and disposal (no change)
- Those who budgeted using the original breakdown do not have to change their structure, though they may pass a Change of Title or Text resolution if they wish to allocate all accounts into the single "430" line.
- If the single 430 account is used, the local unit **must** use an internal breakdown to allocate utilities by the categories noted above. This will allow the Division to obtain, via survey, appropriation and expenditure information if it is required.

For the purposes of public disclosure, the Division recommends that local units use the detailed breakdown highlighted above in their official budget. However, the combined single official budget line and internal object item approach may also be used as an alternative.

Departments of "Public Works"

One of the reasons behind the adoption of the Flexible Chart of Accounts, was the erosion of compliance with the Permanent Budget Manual (adopted in 1982) for certain line items. One specific problem area was the practice of some municipalities to consolidate all public works related appropriations into a single "Department of Public Works" account. While this may be administratively expedient and facilitates transfers, it is contrary to our long-term practices of public disclosure of categories of expenditures. The FCOA is intended to reverse this trend.

However, we understand that for those municipalities that engaged in this practice to make the appropriate changes at this time is a significant administrative burden. Therefore, for this year only, those local units may continue the existing single "Department" practice and use account 26-290 or 26-300, but, beginning with SFY and CY 2001, the full FCOA breakdown shall be used.

Police Dispatch/911

A number of local units have reported to us that in those circumstances where the Police Department runs the dispatch or 911 operation, the employees running the system cannot be easily segregated into separate accounts. Therefore, the following rules shall guide this activity:

- When Dispatch or 911 is contracted to an outside agency (another public safety organization, county, or regional service), contracted amounts shall be shown in the 25-250 (Police Dispatch /911) account.
- When Dispatch or 911 is operated by staff under control of the Police Department staff, it shall be included in the Police Department (25-240) account. The same applies to a County Sheriff Department that runs a county system, except that the costs shall be included in the Sheriff Department (25-270) account.
- Local units that have already introduced and used the 25-250 account for police employees, may leave it as is, or pass a Change of Title or Text resolution to include the costs in the 25-240 (or 25-270 for counties) account.

Labor Relations Counsel/Costs

Of the issues highlighted by implementing the FCOA, we have discovered a remarkable variety of places where local units budget labor relations consultants and attorneys. They have run the gamut from Legal Counsel, to Administration, to Governing Body, to Municipal Clerk, to Human Resources, to its own separate line item. Having this wide variety skews reporting, thus the need for a standard practice. However, the initial FCOA choice of placing it under Human Resources has been brought to our attention as problematic, given the control issues in most organizations (and for the many that do not have a separate HR function).

To resolve the issue, Labor Relations Expenses are now reallocated to the Legal Services line item (20-155). For those that have already budgeted it in Human Resources or another account for CY 2000, an amendment is not necessary, as long as the change is made in 2001 budgets.

Split Cap Accounts – Employee Costs

Local officials have pointed out the difficulty in maintaining the FCOA for those appropriations where certain salary related costs for those agencies are included in the agency's outside the cap appropriation. This has specific and common application to Municipal Courts, public libraries, and other similar appropriations. At this time local units may keep these costs within the cap-exempt Other Expense appropriation.

Senior Citizen Costs

The FCOA does not include a separate line item for senior citizen programs or activities. The Chart anticipated they would appear under Recreation Services and Programs (28-370) or Public Health Services (27-330), depending on the type of program. However, a number of local units have expressed the need to isolate these expenses to reflect local needs. At this time a separate number is not being assigned, as that would require all local units to segregate these expenses. Therefore, in those cases where a separate line item is desired, it is suggested that the State budget show either the Recreation Services and Programs or Public Health Services code (the FCOA permits repeated account numbers on the State budget) and an appropriate, separate appropriation ledger account be created for accounting purposes. When a separate senior citizen program line item includes a mix of recreation and health services, the account representing the majority of the services may be used.

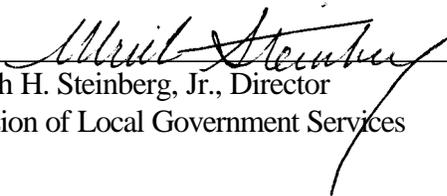
Other Account Changes

The following accounts have been added to the system as a result of issues brought to our attention over the last few weeks. They may be used going forward, but do not necessitate changes to budgets already introduced.

Item	Account #	Description
Revenue		
Business Personal Property Tax Depreciation "Bell Atlantic"	09-205	Replacement revenue due to changes in the depreciation of Bell Atlantic property
Garden State Trust PILOT funds	09-206	Pilot funds on preserved open space/park property
Watershed Aid	09-207	
Pinelands Aid	09-208	
School Building Aid Allowance	09-209	Aid for Type 1 Schools
Other PILOT	09-210	Other payment in lieu of taxes
Appropriations		
Salary and Wage Adjustment	30-425-2	If desired by the local unit, this may be used to provide a single appropriation line for salary and wage adjustments. Charges may not be reflected against this line item. The appropriation is to be transferred to the appropriate line item for expenditure.
Tax Appeal Refunds	30-426-2	
County Pass Through	30-427-2	For appropriations that pass directly to the County
School District Pass Through	30-428-2	For appropriations that pass directly to School District(s)
Other Pension	36-476-2	For pension contributions other than the State pension plans
Other Debt Service	45-942-2	Debt or installment payments not otherwise provided for
Deferred Charges		
Deferred Charges to Future Taxation Unfunded	46-880-2	
Deficit in Operations	46-885-2	
Other Deficits	46-886-2	
Overexpenditures	46-890-2	
Expenditure without Appropriation	46-891-2	
Capital Items		
Down Payment	44-902-2	
All other initiatives	44-905-2	Used when specific projects are listed in the budget.

Ongoing Issues

When necessary Division Budget Examiners will advise local officials when corrections on official budget documents are required. Finally, the Division recognizes that some local units may still have problems implementing various aspects of the FCOA, including changes from this Notice. Where these problems exist, the CFO is advised to contact the Division at 609-292-4806 or 609-984-6627 as soon as possible so we can provide advice and guidance on resolving the issues. It has been, and continues to be, our goal to resolve individual issues in a way that maximizes compliance with the FCOA while recognizing local issues and concerns.



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Division of Local Government Services

Distribution: Municipal and County Chief Financial Officers and Registered Municipal Accountants