

SENATE, No. 631

STATE OF NEW JERSEY 219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Senator PAUL A. SARLO

District 36 (Bergen and Passaic)

Senator SAMUEL D. THOMPSON

District 12 (Burlington, Middlesex, Monmouth and Ocean)

Co-Sponsored by:

Senator Oroho

SYNOPSIS

Establishes pilot program to permit use of generally accepted accounting principles in certain county and municipal annual financial statements.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** concerning local government accounting and
2 supplementing chapter 5 of Title 40A of the New Jersey Statutes.

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4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

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7 1. a. There is established the “GAAP Reporting Pilot
8 Program” in which the director shall permit the annual financial
9 statements of participating local units to be completed in
10 accordance with the generally accepted accounting principles,
11 promulgated by the Governmental Accounting Standards Board.
12 The director shall prescribe a form upon which the annual financial
13 statement of a participating local unit shall be completed. The
14 division shall also provide technical assistance to any local unit that
15 participates in the pilot program.

16 b. The governing body of a pilot municipality or pilot county
17 may apply to the director to participate in the pilot program. The
18 pilot program shall commence after not less than six local units are
19 approved to participate in the pilot program. The pilot program
20 shall terminate after the submission of the report required pursuant
21 to subsection c. of this section.

22 c. The director shall submit a report of its findings and
23 recommendations concerning the pilot program to the Legislature,
24 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), no later
25 than six months following the third submission of the annual
26 financial statement by each local unit participating in the pilot
27 program. The report shall examine whether the interests of the
28 State would be served by requiring every local unit to use the
29 generally accepted accounting principles promulgated by the
30 Governmental Accounting Standards Board.

31 d. The Commissioner of Community Affairs shall promulgate
32 rules and regulations, on or before the first day of the third month
33 next following the enactment of P.L. , c. (C.) (pending
34 before the Legislature as this bill), to effectuate the purposes of the
35 pilot program.

36 e. As used in this section:

37 “Director” means the Director of the Division of Local
38 Government Services in the Department of Community Affairs.

39 “Division” means the Division of Local Government Services in
40 the Department of Community Affairs.

41 “Local unit” means a pilot municipality or pilot county.

42 “Pilot county” means a county having a population of not more
43 than 150,000 persons according to the most recent federal decennial
44 census.

45 “Pilot municipality” means a municipality located in a pilot
46 county.

47 “Pilot program” means the “GAAP Reporting Pilot Program”
48 established pursuant to subsection a. of this section.

1 2. This act shall take effect immediately.

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STATEMENT

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6 This bill establishes the “GAAP Reporting Pilot Program.” The
7 pilot program would permit the annual financial statement of
8 participating counties and municipalities to be completed in
9 accordance with the generally accepted accounting principles
10 (“GAAP”) promulgated by the Governmental Accounting Standards
11 Board.

12 Currently, county and municipal financial statements are not
13 required to comply with GAAP accounting standards. However,
14 most local governments throughout the country, as well as all
15 school districts in this State, currently follow these standards.

16 Under the bill, the governing body of a pilot county or pilot
17 municipality may apply to the Director of the Division of Local
18 Government Services in the Department of Community Affairs to
19 participate in the pilot program. The bill defines a “pilot county” as
20 any county having a population of not more than 150,000 people.
21 Any municipality located within a pilot county is defined a “pilot
22 municipality.” The pilot program would begin after at least six
23 counties and municipalities are approved to participate in the pilot
24 program. The pilot program would operate for approximately three
25 years.

26 The bill requires the director of the division to prescribe a form
27 upon which any participating county or municipality may complete
28 its annual financial statement using the GAAP standards. The bill
29 also requires the division to provide technical assistance to any
30 county or municipality that participates in the pilot program.

31 Within six months after each participating county and
32 municipality has submitted its third annual financial statement using
33 the GAAP standards, the division would be required to submit a
34 report to the Legislature concerning the pilot program. Specifically,
35 the report would be required to examine whether the interests of the
36 State would be served by requiring every local unit to adopt the
37 GAAP standards. Under the bill, the pilot program would terminate
38 immediately following the submission of this report.