

TOWNSHIP OF VERNON

COUNTY OF SUSSEX

REPORT OF AUDIT

2010

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
REPORT OF AUDIT
2010

TOWNSHIP OF VERNON
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TOWNSHIP OF VERNON

PART I

FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2010

Independent Auditors' Report

The Honorable Mayor and Members
of the Township Council
Township of Vernon
Vernon, New Jersey

We have audited the financial statements of the various funds of the Township of Vernon in the County of Sussex (the "Township") as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audits.

Except as discussed in the fourth paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1, these financial statements have been prepared in conformity with accounting principles prescribed by the Division that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

The financial statements as of and for the year ended December 31, 2009 referred to in the first paragraph do not disclose the postretirement benefit funding status as required by GASB No. 45. In our opinion, disclosure of that information is required to conform with accounting principles generally accepted in the United States of America.

In our opinion, because the Township prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, and the results of its operations for the years then ended.

However, in our opinion, except for the effects on the financial statements of the omission described in the fourth paragraph, the financial statements referred to above, present fairly, in all material respects, the financial position of the various funds of the Township at December 31, 2010 and 2009, and the results of operations and changes in fund balances, where applicable, of such funds thereof for the years then ended, in conformity with accounting principles prescribed by the Division, as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2011, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The information included in the supplementary schedules listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards are also presented for purposes of additional analysis and are required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* and are not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1 to the financial statements and Note B to the schedules of expenditures of federal and state awards.

Mount Arlington, New Jersey
March 30, 2011


NISIVOCCIA LLP



Francis J. Jones
Registered Municipal Accountant No. 442
Certified Public Accountant

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2010
CURRENT FUND

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE BALANCE SHEET

		December 31,	
	Ref.	2010	2009
<u>ASSETS</u>			
Regular Fund:			
Cash - Treasurer	A-4	\$ 4,964,702.94	\$ 4,204,970.88
Change Funds		775.00	775.00
Due from State of New Jersey:			
Senior Citizen and Veteran Deductions		58,044.41	55,168.79
		<u>5,023,522.35</u>	<u>4,260,914.67</u>
Receivables and Other Assets With			
Full Reserves:			
Delinquent Property Taxes Receivable	A-7	2,064,399.57	2,166,351.44
Tax Title Liens Receivable	A-8	3,256,582.63	2,837,085.97
Property Acquired for Taxes at Assessed			
Valuation		397,600.00	397,600.00
Internal Revenue Service Receivable		91,614.41	91,614.41
Ameripay Receivable		269,509.53	269,509.53
Due from:			
Animal Control Fund	B		10,915.00
Total Receivables and Other Assets			
With Full Reserves		<u>6,079,706.14</u>	<u>5,773,076.35</u>
Deferred Charges:			
Special Emergency Authorization		420,000.00	630,000.00
Overexpenditure of Budget Appropriations			29,304.64
Deficit in Operations			159,090.08
		<u>420,000.00</u>	<u>818,394.72</u>
Total Regular Fund		<u>11,523,228.49</u>	<u>10,852,385.74</u>
Federal and State Grant Fund:			
Federal and State Grants Receivable	A-10	35,811.82	372,527.37
Due from Current Fund	A	284,074.81	325,701.63
		<u>319,886.63</u>	<u>698,229.00</u>
<u>TOTAL ASSETS</u>		<u>\$ 11,843,115.12</u>	<u>\$ 11,550,614.74</u>

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE BALANCE SHEET
(Continued)

	Ref.	December 31,	
		2010	2009
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 980,935.44	\$ 1,406,448.49
Encumbered	A-3;A-11	891,866.20	442,976.69
Total Appropriation Reserves		1,872,801.64	1,849,425.18
Accounts Payable - Vendors		145,882.38	66,592.58
Special Emergency Notes		420,000.00	630,000.00
Prepaid Taxes		347,297.87	348,785.05
Tax Overpayments		7,916.18	6,597.04
Due County for Added and Omitted Taxes		11,680.13	12,583.77
Due to:			
Federal and State Grant Fund	A	284,074.81	325,701.63
General Capital Fund	C		163,534.80
Assessment Trust Fund	B	150.17	2,084.96
Other Trust Funds	B	15,663.90	15,206.85
State of New Jersey:			
Marriage License Fees		425.00	450.00
Civil Union		25.00	25.00
Reserve for:			
Garden State Trust		105,963.00	158,945.19
Tax Appeals		325,000.00	125,000.00
Codification of Ordinances		11,690.23	11,690.23
Master Plan		3,422.64	3,422.64
Town Center Roadway		215,656.15	215,656.15
Revaluation		198,724.11	212,453.61
Public Assistance		28,156.85	28,156.85
Sale of Municipal Assets - Attorney Fees		1,060.00	1,500.00
		3,995,590.06	4,177,811.53
Reserve for Receivables and Other Assets	A	6,079,706.14	5,773,076.35
Fund Balance	A-1	1,447,932.29	901,497.86
Total Regular Fund		11,523,228.49	10,852,385.74
Federal and State Grant Fund:			
Appropriated Reserves	A-13	268,632.64	563,366.12
Unappropriated Reserves	A-14	11,813.55	44,494.76
Reserve for Encumbrances		39,440.44	90,368.12
Total Federal and State Grant Fund		319,886.63	698,229.00
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		\$ 11,843,115.12	\$ 11,550,614.74

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

		Year Ended December 31,	
	<u>Ref.</u>	2010	2009
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 210,000.00	\$ 415,000.00
Miscellaneous Revenue Anticipated		4,077,440.55	4,474,526.41
Receipts from:			
Delinquent Taxes		2,146,373.64	1,706,134.67
Current Taxes		67,628,155.07	65,110,737.45
Nonbudget Revenue		220,393.22	220,364.66
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		552,809.00	338,765.22
Cancellation of Accounts Payable		8,707.58	
Cancellation of Appropriated Grant Reserves		250,122.09	
Cancellation of Unappropriated Grant Reserves		0.56	
Interfunds and Other Receivables Returned		10,915.00	7,467.18
Total Income		<u>75,104,916.71</u>	<u>72,272,995.59</u>
<u>Expenditures</u>			
Budget Appropriations		19,702,978.03	19,783,640.07
County Taxes		12,884,474.07	12,596,922.61
Local School District Taxes		41,227,574.50	39,707,071.00
Reserve for Tax Appeals		200,000.00	
Refund of Prior Year Taxes		33,271.97	
Refund of Prior Year Revenue			450.00
Cancellation of Federal and State Grant Fund Receivables		300,183.71	
Payment to Internal Revenue Service - Ameripay			91,614.41
Payments to Payroll Agencies - Ameripay			269,509.53
Interfunds and Other Receivables Advanced			12,182.69
Total Expenditures		<u>74,348,482.28</u>	<u>72,461,390.31</u>
Excess/(Deficit) in Revenue		756,434.43	(188,394.72)
Adjustments before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year:			
Overexpenditure of Budget Appropriations			29,304.64
Deficit in Operations			159,090.08
Statutory Excess to Fund Balance		756,434.43	
<u>Fund Balance</u>			
Balance January 1		<u>901,497.86</u>	<u>1,316,497.86</u>
		1,657,932.29	1,316,497.86
Decreased by:			
Utilized as Anticipated Revenue		<u>210,000.00</u>	<u>415,000.00</u>
Balance December 31	A	\$ 1,447,932.29	\$ 901,497.86

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2010

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 210,000.00		\$ 210,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	6,000.00		7,733.90	\$ 1,733.90
Fees and Permits	155,000.00		128,942.83	26,057.17 *
Fines and Costs:				
Municipal Court	137,384.00		108,932.61	28,451.39 *
Interest and Costs on Taxes	133,000.00		406,958.19	273,958.19
Interest on Investments and Deposits	78,000.00		28,303.09	49,696.91 *
Consolidated Municipal Property Tax Relief Aid	98,792.00		98,792.00	
Energy Receipts Tax	1,763,456.00		1,763,456.00	
Watershed Moratorium Aid	294,455.00		294,455.00	
Garden State Trust Payment in Lieu of Taxes	158,945.00		158,945.19	0.19
Uniform Construction Code Fees	300,000.00		333,260.00	33,260.00
Interlocal Service Agreement - 911 Communications:				
Township of Wantage	68,711.00		70,000.00	1,289.00
Borough of Sussex	16,053.00		16,053.00	
Recycling Tonnage Grant	12,416.00		12,416.00	
Drunk Driving Enforcement Fund	7,054.00		7,054.00	
Clean Communities Program - 2009	8,868.00		8,868.00	
Clean Communities Program - 2010		\$ 42,713.98	42,713.98	
Municipal Alliance on Alcoholism and Drug Abuse	20,467.00		20,467.00	
Safe and Secure Communities Program (P.L.1994, Chapter 220)	60,000.00		60,000.00	
Body Armor Fund:				
State - 2009		1,281.37	1,281.37	
NJ Division of Highway Traffic Safety:				
Over the Limit Under Arrest:				
2009 Year End Crackdown		1,000.00	1,000.00	
NJ Highlands Water Protection & Planning Council:				
Highlands Master Plan Grant		9,314.80	9,314.80	
Highlands Region Master Plan	16,157.00		16,157.00	
New Jersey Clean Energy Program	8,624.00		8,624.00	
State Farm Mutual Automobile Insurance Co:				
Child Safety Seat Check Events Grants		750.00	750.00	
Municipal Alcohol Education/Rehabilitation Program		603.28	603.28	
Uniform Fire Safety Act	28,000.00		27,914.77	85.23 *
General Capital Surplus	236,000.00		236,000.00	
Assessment Trust Surplus	10,000.00		10,000.00	
Geographic Information Systems	500.00		550.00	50.00
Lot Development Plan	6,000.00		5,750.00	250.00 *
Hotel Occupancy Fee (P.L.2003, c.114)	160,000.00		169,511.01	9,511.01
NJ Governmental Insurance Fund	31,250.00			31,250.00 *
Interest on Pleasant Valley Lake Dam Loan	24,978.32		22,633.53	2,344.79 *
Total Miscellaneous Revenue	3,840,110.32	55,663.43	4,077,440.55	181,666.80

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2010
(Continued)

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Receipts from Delinquent Taxes	\$ 2,035,000.00		\$ 2,146,373.64	\$ 111,373.64
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>16,160,703.00</u>		<u>16,110,561.50</u>	<u>50,141.50 *</u>
Budget Totals	22,245,813.32	\$ 55,663.43	22,544,375.69	<u>\$ 242,898.94</u>
Nonbudget Revenue			<u>220,393.22</u>	
	<u>\$ 22,245,813.32</u>	<u>\$ 55,663.43</u>	<u>\$ 22,764,768.91</u>	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2010
(Continued)

Allocation of Current Tax Collections

Collections		\$ 67,628,155.07
Allocated to:		
County Taxes	\$ 12,872,793.94	
Due to County for Added and Omitted Taxes	11,680.13	
School Taxes	<u>41,227,574.50</u>	
		<u>54,112,048.57</u>
		13,516,106.50
Add: Appropriation "Reserve for Uncollected Taxes"		<u>2,594,455.00</u>
Realized for Support of Municipal Budget		<u>\$ 16,110,561.50</u>
<u>Receipts from Delinquent Taxes:</u>		
Delinquent Tax Collections	\$ 2,136,537.21	
Tax Title Liens Redeemed	<u>9,836.43</u>	
		<u>\$ 2,146,373.64</u>
<u>Interest on Investments and Deposits:</u>		
Cash Received - Treasurer		<u>\$ 28,303.09</u>
		<u>\$ 28,303.09</u>

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2010
(Continued)

Analysis of Nonbudget Revenue:

Treasurer:

Notary Fees	\$	230.00	
Auction of Township Property		9,647.69	
National Wildlife in Lieu of Tax		41,633.00	
Cable TV Franchise Fee		90,302.16	
Administrative Fee - Senior Citizens and Veterans Deductions		4,596.23	
Other Miscellaneous Receipts		759.47	
Prior Years Pleasant Valley Expenses		4,928.63	
NJ DMV Inspection Fines		995.75	
Premium Account Escheated to Current		14,700.00	
Sale of Scrap Metal		6,527.69	
Marriage Ceremony		325.00	
Prior Years - Over the Limit		4,000.00	
Prior Year Voided Checks		333.92	
Prior Year Unallocated Municipal Court Balances		898.67	
County Reimbursement for 2008 Presidential Election		2,314.69	
County of Sussex Nutrition Site		2,400.00	
Tennessee Gas Right of Way Agreement		10,000.00	
Sussex Boro Dog License Fee, Statutory Excess		4,350.00	
2010 Sussex Boro Animal Control Agreement		2,175.00	
Interest on Road Assessment Receivables		9,896.04	
Interest on Pleasant Valley Dam Assessment Receivables		6,830.53	
			\$ 217,844.47

Collector:

Other Miscellaneous		2,548.75	
			\$ 220,393.22

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
General Administration:					
Salaries and Wages	\$ 283,731.00	\$ 286,731.00	\$ 279,169.64	\$ 7,561.36	
Other Expenses	88,600.00	88,600.00	70,164.91	18,435.09	
Human Resources:					
Salaries and Wages	48,080.00	42,080.00	42,069.17	10.83	
Other Expenses	6,620.00	6,620.00	1,204.88	5,415.12	
Mayor and Council:					
Salaries and Wages	16,000.00	16,000.00	15,268.87	731.13	
Other Expenses	2,255.00	2,255.00	253.79	2,001.21	
Municipal Clerk:					
Salaries and Wages	122,680.00	100,680.00	96,869.81	3,810.19	
Other Expenses	45,984.00	45,984.00	26,364.64	19,619.36	
Financial Administration:					
Salaries and Wages	325,956.00	325,956.00	309,868.29	16,087.71	
Other Expenses	48,900.00	48,900.00	35,921.26	12,978.74	
Annual Audit	41,000.00	41,000.00		41,000.00	
Technology:					
Other Expenses	42,500.00	42,500.00	31,625.89	10,874.11	
Revenue Administration (Collection of Taxes):					
Salaries and Wages	155,930.00	153,930.00	147,092.80	6,837.20	
Other Expenses	45,470.00	45,470.00	30,063.68	15,406.32	
Tax Assessment Administration:					
Salaries and Wages	162,853.00	145,853.00	140,466.98	5,386.02	
Other Expenses	39,500.00	39,500.00	16,180.27	23,319.73	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
GENERAL GOVERNMENT (Continued):					
Legal Services:					
Other Expenses	\$ 166,500.00	\$ 166,500.00	\$ 149,075.68	\$ 17,424.32	
Engineering Services:					
Salaries and Wages	60,189.00	54,189.00	52,502.14	1,686.86	
Other Expenses	14,350.00	14,350.00	11,617.51	2,732.49	
Economic Development:					
Beautification Committee:					
Other Expenses	5,000.00	5,000.00	100.00	4,900.00	
Historical Preservation Commission:					
Other Expenses	2,500.00	2,500.00	1,568.00	932.00	
MUNICIPAL LAND USE LAW (N.J.S.A.40:55D-11):					
Land Use Board:					
Salaries and Wages	124,660.00	118,660.00	114,593.62	4,066.38	
Other Expenses	65,200.00	75,200.00	42,895.73	32,304.27	
INSURANCE:					
Liability Insurance	460,636.00	485,636.00	479,736.98	5,899.02	
Workers Compensation	319,675.00	319,675.00	317,528.95	2,146.05	
Employee Group Insurance (Health)	2,673,847.00	2,656,847.00	2,595,163.42	61,683.58	
Unemployment Insurance	23,000.00	111,000.00	111,000.00		
PUBLIC SAFETY FUNCTIONS:					
Police Department:					
Salaries and Wages	3,605,815.80	3,575,815.80	3,436,062.25	139,753.55	
Other Expenses	108,430.00	108,430.00	90,024.17	18,405.83	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
PUBLIC SAFETY FUNCTIONS (Continued):					
Township Radio & Communications:					
Salaries and Wages	\$ 311,466.00	\$ 354,466.00	\$ 328,640.58	\$ 25,825.42	
Other Expenses	6,300.00	6,300.00	5,950.00	350.00	
Volunteer Emergency Services:					
Other Expenses	230,000.00	230,000.00	205,515.87	24,484.13	
Uniform Fire Safety:					
Salaries and Wages	105,123.00	103,123.00	98,236.01	4,886.99	
Other Expenses	1.00	1.00		1.00	
Municipal Prosecutor:					
Other Expenses	27,000.00	27,000.00	19,000.00	8,000.00	
PUBLIC WORKS FUNCTIONS:					
Streets and Roads Maintenance:					
Salaries and Wages	1,198,957.00	1,118,957.00	1,020,956.78	98,000.22	
Other Expenses	353,319.00	378,319.00	337,511.61	40,807.39	
Recycling:					
Other Expenses	100,000.00	100,000.00	89,000.00	11,000.00	
Buildings and Grounds:					
Other Expenses	76,650.00	76,650.00	58,220.56	18,429.44	
Fleet Management:					
Salaries and Wages	269,427.00	247,427.00	237,064.33	10,362.67	
Other Expenses	231,000.00	231,000.00	205,270.20	25,729.80	
Municipal Services Act (Ch. 6, P.L. 1993):					
Other Expenses	600,000.00	600,000.00	527,422.59	72,577.41	
Environmental Commission (N.J.S.A.40:56A-1 etc.):					
Other Expenses	2,500.00	2,500.00	840.00	1,660.00	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
PUBLIC WORKS FUNCTIONS (Continued):					
Animal Control:					
Salaries and Wages	\$ 62,654.00	\$ 60,654.00	\$ 54,323.79	\$ 6,330.21	
Other Expenses	8,967.00	9,967.00	9,153.27	813.73	
PARKS AND RECREATION FUNCTIONS:					
Recreation Services and Programs:					
Salaries and Wages	66,690.00	66,690.00	63,111.59	3,578.41	
Other Expenses	18,530.00	7,530.00	3,265.30	4,264.70	
Senior Citizens:					
Salaries and Wages	6,164.00	6,164.00	5,169.05	994.95	
Other Expenses	58,335.00	58,335.00	55,300.90	3,034.10	
Maintenance of Parks:					
Salaries and Wages	127,819.00	111,819.00	106,708.91	5,110.09	
Other Expenses	30,000.00	30,000.00	21,306.47	8,693.53	
OTHER COMMON OPERATING FUNCTIONS:					
Accumulated Leave Compensation	59,000.00	59,000.00	59,000.00		
Salary and Wage Adjustment	75,000.00	8,000.00	7,661.00	339.00	
Municipal Court:					
Salaries and Wages	162,161.00	157,161.00	150,785.16	6,375.84	
Other Expenses	5,705.00	5,705.00	2,773.16	2,931.84	
UNIFORM CONSTRUCTION CODE:					
Construction Code Official:					
Salaries and Wages	337,785.00	333,785.00	320,975.40	12,809.60	
Other Expenses	13,450.00	13,450.00	6,535.14	6,914.86	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Appropriations		Expended By		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Operations Within "CAPS" (Continued):					
UTILITY EXPENSES AND BULK PURCHASES:					
Utilities	\$ 493,100.00	\$ 493,100.00	\$ 442,907.55	\$ 50,192.45	
Sussex County Municipal Utilities Authority	126,875.00	126,875.00	120,866.76	6,008.24	
Total Operations Within "CAPS"	14,269,839.80	14,149,839.80	13,207,925.31	941,914.49	
Detail:					
Salaries and Wages	7,688,140.80	7,447,140.80	7,086,596.17	360,544.63	
Other Expenses	6,581,699.00	6,702,699.00	6,121,329.14	581,369.86	
DEFERRED CHARGES:					
Overexpenditure of Appropriations	29,305.00	29,305.00	29,304.64		\$ 0.36
Deficit in Operations	160,773.00	160,773.00	159,090.08		1,682.92
STATUTORY EXPENDITURES:					
Contributions to:					
Public Employees' Retirement System	224,024.00	224,024.00	223,874.00	150.00	
Social Security System (O.A.S.I.)	471,289.00	591,289.00	558,784.30	32,504.70	
Police and Firemen's Retirement System of NJ	371,946.00	371,946.00	371,946.00		
Defined Contribution Retirement Program	2,045.00	2,045.00	85.00	1,960.00	
Total Deferred Charges and Statutory					
Expenditures - Municipal Within "CAPS"	1,259,382.00	1,379,382.00	1,343,084.02	34,614.70	1,683.28
Total General Appropriations for Municipal					
Purposes Within "CAPS"	15,529,221.80	15,529,221.80	14,551,009.33	976,529.19	1,683.28

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS":					
Pension (P.L. 2003, Chapter 108):					
Contribution to:					
Public Employees' Retirement System	\$ 173,167.00	\$ 173,167.00	\$ 173,167.00		
Police and Firemen's Retirement System of NJ	367,525.00	367,525.00	367,525.00		
Employee Group Insurance (Health)	167,931.00	167,931.00	167,931.00		
Interlocal Municipal Service Agreements:					
911 Communication Service:					
Salaries and Wages	119,983.00	119,983.00	117,439.82	\$ 2,543.18	
Other Expenses	9,250.00	9,250.00	7,386.93	1,863.07	
Public and Private Program Offset by Revenue:					
Municipal Alliance on Alcoholism and Drug Abuse	20,467.00	20,467.00	20,467.00		
Drunk Driving Enforcement Grant	7,054.00	7,054.00	7,054.00		
Safe and Secure Communities Grant	60,000.00	60,000.00	60,000.00		
Recycling Tonnage Grant	12,416.00	12,416.00	12,416.00		
Clean Communities Program					
(N.J.S.A.40A:4-87 + \$42,713.98)	8,868.00	51,581.98	51,581.98		
Body Armor Grant:					
State Share (N.J.S.A.40A:4-87 + \$1,281.37)		1,281.37	1,281.37		
NJ Division of Highway Traffic Safety:					
Over the Limit Under Arrest - 2009 Year End					
Crackdown (N.J.S.A.40A:4-87 + \$1,000.00)		1,000.00	1,000.00		
NJ Highlands Water Protection & Planning Council:					
Highlands Master Plan Grant					
(N.J.S.A.40A:4-87 + \$9,314.80)		9,314.80	9,314.80		
Highlands Region Master Plan	16,157.00	16,157.00	16,157.00		
New Jersey Clean Energy Program	8,624.00	8,624.00	8,624.00		

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS" (Continued):					
Public and Private Program Offset by Revenue:					
State Farm Mutual Automobile Insurance Co:					
Child Safety Seat Check Events Grants					
(N.J.S.A.40A:4-87 + \$750.00)		\$ 750.00	\$ 750.00		
Municipal Alcohol Education/Rehabilitation Program					
(N.J.S.A.40A:4-87 + \$603.28)		603.28	603.28		
Total Operations Excluded from "CAPS"	\$ 971,442.00	1,027,105.43	1,022,699.18	\$ 4,406.25	
Detail:					
Salaries and Wages	119,983.00	119,983.00	117,439.82	2,543.18	
Other Expenses	851,459.00	907,122.43	905,259.36	1,863.07	
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Principal	1,409,610.00	1,409,610.00	1,409,610.00		
Payment of Bond Anticipation Notes and Capital Notes	593,222.00	593,222.00	593,222.00		
Interest on Bonds	438,512.00	438,512.00	438,496.50		\$ 15.50
Interest on Notes	456,616.20	456,616.20	456,616.15		0.05
Loan Repayments for Principal and Interest (PVL Dam)	24,978.32	24,978.32	22,633.53		2,344.79
Interest on Emergency Notes	12,285.00	12,285.00	12,285.00		
Capital Lease Obligations Approved Prior to 7/1/2007:					
Principal	5,334.30	5,334.30	5,334.30		
Interest	136.70	136.70	136.60		0.10
Total Municipal Debt Service Excluded from "CAPS"	2,940,694.52	2,940,694.52	2,938,334.08		2,360.44

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Deferred Charges:					
Special Emergency Authorizations - 5 Years					
(N.J.S.A. 40A:4-55):					
Codification of Ordinances	\$ 210,000.00	\$ 210,000.00	\$ 210,000.00		
Total Deferred Charges - Municipal - Excluded from "CAPS"	210,000.00	210,000.00	210,000.00		
Total General Appropriations Excluded from "CAPS"	4,122,136.52	4,177,799.95	4,171,033.26	\$ 4,406.25	\$ 2,360.44
Subtotal General Appropriations	19,651,358.32	19,707,021.75	18,722,042.59	980,935.44	4,043.72
Reserve for Uncollected Taxes	2,594,455.00	2,594,455.00	2,594,455.00		
Total General Appropriations	\$ 22,245,813.32	\$ 22,301,476.75	\$ 21,316,497.59	\$ 980,935.44	\$ 4,043.72

Ref.

A

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 22,245,813.32	
Added by:			
N.J.S.A. 40A:4-87		55,663.43	
		<u>\$ 22,301,476.75</u>	
Cash Disbursed			\$ 17,690,944.00
Reserve for Uncollected Taxes			2,594,455.00
Encumbrances	A		891,866.20
Deferred Charges:			
Special Emergency Authorizations			210,000.00
Overexpenditure of Appropriations			29,304.64
Deficit in Operations			159,090.08
Transfer to Appropriated Grant Reserves:			
Federal, State and Local Grants			189,249.43
			<u>21,764,909.35</u>
Less: Appropriation Refunds			<u>448,411.76</u>
			<u>\$ 21,316,497.59</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2010
TRUST FUNDS

TOWNSHIP OF VERNON
TRUST FUNDS
COMPARATIVE BALANCE SHEET

		December 31,	
	Ref.	2010	2009
<u>ASSETS</u>			
Assessment Trust Fund:			
Cash and Cash Equivalents	B-4	\$ 919,144.99	\$ 905,790.67
Due from Current Fund	A	150.17	2,084.96
Assessment Receivable	B-7	696,069.11	840,331.38
Assessment Liens	B-12	104,786.89	127,526.39
Assessment Liens Interest and Costs	B-13	3,159.67	3,159.67
		<u>1,723,310.83</u>	<u>1,878,893.07</u>
Animal Control Fund:			
Cash and Cash Equivalents	B-4	67,050.00	92,616.52
		<u>67,050.00</u>	<u>92,616.52</u>
Other Trust Funds:			
Cash and Cash Equivalents	B-4	1,676,427.91	1,553,901.32
Investments	B-4	15,000.00	15,000.00
Due from Current Fund	A	15,663.90	15,206.85
Due from Animal Control Fund	B		8,050.72
		<u>1,707,091.81</u>	<u>1,592,158.89</u>
Open Space Trust Fund:			
Cash and Cash Equivalents	B-4	1,008,390.60	893,723.81
		<u>1,008,390.60</u>	<u>893,723.81</u>
<u>TOTAL ASSETS</u>		<u>\$ 4,505,843.24</u>	<u>\$ 4,457,392.29</u>
<u>LIABILITIES AND RESERVES</u>			
Assessment Trust Fund			
Serial Bonds Payable	B-10	\$ 305,572.90	\$ 305,962.90
New Jersey Department of Environmental Protection:			
Loan Payable	B-11	1,042,277.95	1,161,278.73
Bond Anticipation Notes Payable	B-9	92,000.00	98,000.00
Reserve for:			
Assessment Escrow		6,095.25	3,653.18
Assessments and Liens	B-14	237,609.96	285,026.99
Assessment Liens Interest and Costs		3,159.67	3,159.67
Fund Balance	B-1	36,595.10	21,811.60
		<u>1,723,310.83</u>	<u>1,878,893.07</u>
Animal Control Fund:			
Due to Current Fund	A		10,915.00
Due to Other Trust Funds	B		8,050.72
Reserve for Animal Control Expenditures	B-6	67,050.00	73,650.80
		<u>67,050.00</u>	<u>92,616.52</u>

TOWNSHIP OF VERNON
TRUST FUNDS
COMPARATIVE BALANCE SHEET
(Continued)

		December 31,	
	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
<u>LIABILITIES AND RESERVES</u>			
Other Trust Funds:			
Due to State of New Jersey:			
Building Surcharge		\$ 3,668.00	\$ 2,501.00
Reserve for:			
Developers Escrow Deposits Payable		56,819.00	168,092.66
Planning Board Application Deposits		190,665.29	185,340.38
Unemployment		60,067.17	27,209.74
Deposit for Redemption		10,561.19	10,561.19
Recreation		191,337.58	209,079.83
Parking Offense Adjudication Act		170.00	162.00
Premium on Tax Sale		156,400.00	158,000.00
M.A.C. Donations		8,171.61	8,122.31
Fire Prevention Penalty		192,031.75	80,036.12
Stream Clear Signs		4,875.58	4,875.58
Public Defender Fees		15,052.50	13,230.50
Police Outside Services		4,106.39	7,160.49
Senior Citizens Center		6,092.27	6,396.70
Compensated Absences		208,185.50	208,185.50
Small Cities Housing		1,733.00	1,733.00
Council on Affordable Housing		230,635.97	258,409.56
Developers Bonds		294,731.03	143,493.78
Pleasant Valley Dam Rehabilitation		5,562.76	5,547.19
Unclaimed Properties		853.25	853.25
Net Payroll and Payroll Deductions		53,834.34	85,117.39
Animal Control Donations		11,537.63	8,050.72
		<u>1,707,091.81</u>	<u>1,592,158.89</u>
Open Space Trust Fund:			
Reserve for Open Space		<u>1,008,390.60</u>	<u>893,723.81</u>
		<u>1,008,390.60</u>	<u>893,723.81</u>
<u>TOTAL LIABILITIES AND RESERVES</u>		<u>\$ 4,505,843.24</u>	<u>\$ 4,457,392.29</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE

	<u>Ref.</u>	
Balance December 31, 2009	B	\$ 21,811.60
Increased by:		
Assessment Lien Redemption		<u>24,783.50</u>
		46,595.10
Decreased by:		
Due to Current Fund:		
Anticipated Revenue		<u>10,000.00</u>
Balance December 31, 2010	B	<u><u>\$ 36,595.10</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2010

	<u>Budget Revenue</u>	<u>Realized</u>	<u>Excess/ Deficit*</u>	
Assessment Cash	\$ 125,391.00	\$ 125,390.78	\$ 0.22	*
	<u>\$ 125,391.00</u>	<u>\$ 125,390.78</u>	<u>\$ 0.22</u>	*

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010

	<u>Budget</u>	<u>Paid or Charged</u>	<u>Unexpended Balance Canceled</u>	
Payment of Bond/Loan Principal	\$ 119,391.00	\$ 119,390.78	\$ 0.22	
Payment of Bond Anticipation Notes Principal	6,000.00	6,000.00		
	<u>\$ 125,391.00</u>	<u>\$ 125,390.78</u>	<u>\$ 0.22</u>	

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2010
GENERAL CAPITAL FUND

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

		December 31,	
	Ref.	2010	2009
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 1,906,942.35	\$ 2,887,465.92
Due from Current Fund	A		163,534.80
State and Federal Grants Receivable			92,114.38
Deferred Charges to Future Taxation:			
Funded		9,534,427.10	10,944,037.10
Unfunded	C-4	13,395,898.00	15,123,039.00
<u>TOTAL ASSETS</u>		<u>\$ 24,837,267.45</u>	<u>\$ 29,210,191.20</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 9,534,427.10	\$ 10,944,037.10
Bond Anticipation Notes Payable	C-7	13,395,398.00	15,122,539.00
Improvement Authorizations:			
Funded	C-5	320,626.28	494,550.94
Unfunded	C-5	888,912.48	930,521.96
Capital Improvement Fund	C-6	181,237.65	181,237.65
Reserve for:			
Encumbrances		88,193.46	163,267.07
Payment of Debt Service		412.66	1,134,331.66
Capital Projects		407.50	407.50
Deposit on Sale of Bonds		267,900.00	
Fund Balance	C-1	159,752.32	239,298.32
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 24,837,267.45</u>	<u>\$ 29,210,191.20</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE

	<u>Ref.</u>	
Balance December 31, 2009	C	\$ 239,298.32
Increased by:		
Premium on Sale of Notes		156,454.00
		<u>395,752.32</u>
Decreased by:		
Payment to Current Fund as Anticipated Revenue - 2010 Budget		236,000.00
		<u>236,000.00</u>
Balance December 31, 2010	C	<u>\$ 159,752.32</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2010
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2010
SEWER UTILITY FUND

TOWNSHIP OF VERNON
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET

		December 31,	
	Ref.	2010	2009
<u>ASSETS</u>			
Operating Fund:			
Cash - Treasurer	E-4	\$ 6,425.51	\$ 98,606.75
		6,425.51	98,606.75
Receivables and Other Assets with Full Reserves:			
Due from Mountain Creek		94,100.00	
Total Receivables with Full Reserves	E	94,100.00	
Deferred Charges:			
Deficit in Operations		92,208.53	
Total Operating Fund		192,734.04	98,606.75
Capital Fund:			
Cash and Cash Equivalents	E-4	449,930.82	450,867.86
Fixed Capital Authorized and Uncompleted	E-6	3,000,000.00	3,000,000.00
Total Capital Fund		3,449,930.82	3,450,867.86
<u>TOTAL ASSETS</u>		<u>\$ 3,642,664.86</u>	<u>\$ 3,549,474.61</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	E-3; E-7	\$ 119.56	\$ 113.14
Encumbered	E-3;E-7	552.12	
Total Appropriation Reserves		671.68	113.14
Accrued Interest on Bonds		61,250.00	61,781.25
		61,921.68	61,894.39
Reserve for Receivables	E	94,100.00	
Fund Balance	E-1	36,712.36	36,712.36
Total Operating Fund		192,734.04	98,606.75
Capital Fund:			
Serial Bonds Payable	E-10	2,800,000.00	2,825,000.00
Improvement Authorizations:			
Funded	E-8	449,930.82	439,930.82
Reserve for:			
Encumbrances			10,937.04
Deferred Amortization	E-9	200,000.00	175,000.00
Total Capital Fund		3,449,930.82	3,450,867.86
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 3,642,664.86</u>	<u>\$ 3,549,474.61</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF VERNON
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	<u>Ref.</u>	<u>Year Ended December 31,</u>	
		<u>2010</u>	<u>2009</u>
<u>Revenue and Other Income Realized</u>			
Contractor Contributions		\$ 61,250.00	\$ 155,738.06
Nonbudget Revenue		1,247.08	3,479.64
Other Credits to Income:			
Appropriation Reserves Lapsed		113.14	312.19
Total Income		<u>62,610.22</u>	<u>159,529.89</u>
 <u>Expenditures</u>			
Budget Expenditures:			
Operating		6,968.75	6,825.06
Debt Service		147,500.00	148,562.50
Deferred Charges and Statutory Expenditures		350.00	350.00
Total Expenditures		<u>154,818.75</u>	<u>155,737.56</u>
 Excess/(Deficit) in Revenue		(92,208.53)	3,792.33
 Adjustment to Excess Before Fund Balance:			
Expenditures included above which are by Statute			
Deferred Charges to Budget of Succeeding Year:			
Deficit in Operations		<u>92,208.53</u>	
 Statutory Excess to Fund Balance			3,792.33
 <u>Fund Balance</u>			
Balance January 1		<u>36,712.36</u>	<u>32,920.03</u>
 Balance December 31	E	<u>\$ 36,712.36</u>	<u>\$ 36,712.36</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF VERNON
SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE

NOT APPLICABLE

TOWNSHIP OF VERNON
SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2010

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess/Deficit*</u>
Contractor Contributions	\$ 155,350.00	\$ 61,250.00	\$ 94,100.00 *
Nonbudget Revenue		<u>1,247.08</u>	<u>1,247.08</u>
	<u>\$ 155,350.00</u>	<u>\$ 62,497.08</u>	<u>\$ 92,852.92 *</u>

Analysis of Nonbudget Revenue

Treasurer:

Interest on Investments

\$ 1,247.08

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF VERNON
SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2010

	<u>Appropriations</u>		<u>Expended by</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operating:					
Salaries and Wages	\$ 500.00	\$ 500.00	\$ 500.00		
Other Expenses	7,000.00	6,468.75	6,349.19	\$ 119.56	
Debt Service:					
Payment of Bond Principal	25,000.00	25,000.00	25,000.00		
Interest on Bonds	122,500.00	123,031.25	122,500.00		\$ 531.25
Deferred Charges and Statutory Expenditures:					
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	150.00	150.00	150.00		
Social Security System (O.A.S.I.)	200.00	200.00	200.00		
	<u>\$ 155,350.00</u>	<u>\$ 155,350.00</u>	<u>\$ 154,699.19</u>	<u>\$ 119.56</u>	<u>\$ 531.25</u>
				E	
Cash Disbursed			\$ 31,647.07		
Accrued Interest on Serial Bonds Payable			122,500.00		
Encumbrances Payable			552.12		
			<u>\$ 154,699.19</u>		

Ref.

E

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2010
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2010
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2010
GENERAL FIXED ASSETS ACCOUNT GROUP

TOWNSHIP OF VERNON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET

	December 31,	
	2010	2009
<u>ASSETS</u>		
Land and Land Improvements	\$ 4,011,803.00	\$ 4,011,803.00
Buildings and Building Improvements	2,227,791.65	2,227,791.65
Machinery and Equipment	10,917,961.31	10,840,977.91
<u>TOTAL ASSETS</u>	<u>\$ 17,157,555.96</u>	<u>\$ 17,080,572.56</u>
 <u>RESERVES</u>		
Reserve for General Fixed Assets	\$ 17,157,555.96	\$ 17,080,572.56
<u>TOTAL RESERVES</u>	<u>\$ 17,157,555.96</u>	<u>\$ 17,080,572.56</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Township of Vernon include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Vernon, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Vernon do not include the operations of the volunteer fire and first aid squads.

Governmental Accounting Standards Board ("GASB") *Codification Section 2100, "Defining the Financial Reporting Entity"* establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e., benefit of economic resources, access/entitlement to resources, and significance) should be included in the financial reporting entities. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Township of Vernon conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Vernon accounts for its financial transactions through the following separate funds:

Current Fund – Resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Funds – Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

Assessment Trust Fund – Resources and expenditures for payment for Assessment Trust Fund debt.

General Capital Fund – Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Sewer Utility Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned sewer utility.

General Fixed Asset Account Group – These accounts were established with estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounting policies of the Township of Vernon conform to the accounting principles applicable to municipalities which have been prescribed by the Division, which differ in certain respects from accounting principles generally accepted in the United States of America applicable to local governmental units. The more significant policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the Operating Funds when it is budgeted and in the Capital Funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee benefit amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are not recorded and are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Had the Township's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when received; inventories would not be reflected as expenditures at the time of purchase; and fixed assets purchased by the Sewer Utility Capital Fund would be depreciated.

The cash basis of accounting is followed in the Trust Funds.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

- D. Deferred Charges to Future Taxation – The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means the debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget or collecting a grant. The unfunded deferred charge may also be funded by selling bonds and by issuing loans or capital lease purchase agreements.

- E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost or amortized cost, which approximates market.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid. However, a partial reserve, the Reserve for Accrued Sick and Vacation, has been established in the amount of \$208,185.50 on the Trust Fund balance sheet at December 31, 2010.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Grants Receivable - Grants receivable represent the total grant awards less amounts collected to date. Because the amount of grant funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

General Fixed Assets Account Group – In accordance with Technical Accounting Directive No. 85-2, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, the Township has developed a fixed assets accounting and reporting system based on the following:

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

General fixed assets are recorded at cost except for land and buildings, which are recorded at estimated historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. The total value recorded for general fixed assets is offset by a "Reserve for General Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, General Capital Fund and Sewer Utility Funds. The values recorded in the General Fixed Asset Account Group and the Current, General Capital and Sewer Utility Funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Capital assets are reviewed for impairment.

Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account at cost and are not adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for the Current Operating, Sewer Utility Operating and Assessment Trust Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Township during the year.

Note 2: Long-Term Debt

Summary of Municipal Debt

The Local Bond Law governs the issuance of bond to finance general Township capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds. The Township's full faith and credit and taxing power has been pledged to the payment of the general obligation debt principal and interest.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt (Cont'd)

	December 31,		
	2010	2009	2008
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 22,929,825.10	\$ 26,066,576.10	\$ 27,946,302.10
Assessment Trust:			
Bonds, Loans and Notes	1,439,850.85	1,565,241.63	1,688,287.63
Sewer Utility:			
Bonds, Loans and Notes	2,800,000.00	2,825,000.00	2,850,000.00
Net Debt Issued	<u>27,169,675.95</u>	<u>30,456,817.73</u>	<u>32,484,589.73</u>
Less - Funds Temporarily Held to Pay			
Bonds, Notes and Loans:			
Reserve to Pay Debt Service -			
General	412.66	1,134,331.66	13,413.42
Assessment Trust Cash	876,604.81	882,410.85	872,934.99
Total Deductions	<u>877,017.47</u>	<u>2,016,742.51</u>	<u>886,348.41</u>
Net Issued	<u>26,292,658.48</u>	<u>28,440,075.22</u>	<u>31,598,241.32</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	500.00	500.00	500.00
Total Authorized but not Issued	<u>500.00</u>	<u>500.00</u>	<u>500.00</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 26,293,158.48</u>	<u>\$ 28,440,575.22</u>	<u>\$ 31,598,741.32</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.80%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 16,082,000.00	\$ 16,082,000.00	
General Debt	22,930,325.10	412.66	\$ 22,929,912.44
Assessment Trust Debt	1,439,850.85	876,604.81	563,246.04
Sewer Utility Debt	2,800,000.00	953,566.60	1,846,433.40
	<u>\$ 43,252,175.95</u>	<u>\$ 17,912,584.07</u>	<u>\$ 25,339,591.88</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 2: Long-Term Debt (Cont'd)

Net Debt of \$25,339,591.88 divided by Equalized Valuation Basis Per N.J.S. 40A:2-2 as Amended, \$3,182,281,143.67 = 0.80%.

Borrowing Power Under N.J.S. 40A:2-6 As Amended

3-1/2% Average Equalized Valuation of Real Property	\$ 111,379,840.03
Net Debt	<u>25,339,591.88</u>
Remaining Borrowing Power	<u>\$ 86,040,248.15</u>

Calculation of "Self-Liquidating Purpose", Sewer Utility Per N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 62,497.08
Deductions:	
Operating and Maintenance Costs	\$ 7,318.75
Debt Service	<u>147,500.00</u>
	<u>154,818.75</u>
(Deficit) in Revenue	<u>\$ (92,321.67)</u>

Note: If there is a deficit in revenue, sewer utility debt is not deductible to the extent of 20 times of said deficit or total debt service, whichever is smaller (40A:2-48).

The foregoing debt information is in agreement with the Revised Annual Debt Statement filed by the Chief Financial Officer.

Summary of Municipal Debt Issued and Outstanding – Current Year

	Balance 12/31/09	Additions	Retirements	Balance 12/31/10
Serial Bonds:				
General Capital Fund	\$10,944,037.10		\$ 1,409,610.00	\$ 9,534,427.10
Assessment Trust Fund	305,962.90		390.00	305,572.90
Sewer Utility Capital Fund	2,825,000.00		25,000.00	2,800,000.00
Loans Payable:				
Assessment Trust Fund:				
NJ DEP Loan	1,161,278.73		119,000.78	1,042,277.95
Bond Anticipation/Emergency Notes:				
Current Fund	630,000.00	\$ 420,000.00	630,000.00	420,000.00
General Capital Fund	15,122,539.00	13,395,398.00	15,122,539.00	13,395,398.00
Assessment Trust Fund	98,000.00	98,000.00	104,000.00	92,000.00
	<u>31,086,817.73</u>	<u>13,913,398.00</u>	<u>17,410,539.78</u>	<u>27,589,675.95</u>
Capital Lease Payable	<u>5,334.28</u>		<u>5,334.28</u>	
Total	<u>\$31,092,152.01</u>	<u>\$13,913,398.00</u>	<u>\$17,415,874.06</u>	<u>\$27,589,675.95</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/08	Additions	Retirements	Balance 12/31/09
Serial Bonds:				
General Capital Fund	\$12,353,647.10		\$ 1,409,610.00	\$10,944,037.10
Assessment Trust Fund	306,352.90		390.00	305,962.90
Sewer Utility Capital Fund	2,850,000.00		25,000.00	2,825,000.00
Loans Payable:				
Assessment Trust Fund:				
NJ DEP Loan	1,277,934.73		116,656.00	1,161,278.73
Bond Anticipation/Emergency Notes:				
Current Fund	840,000.00	\$ 630,000.00	840,000.00	630,000.00
General Capital Fund	15,592,655.00	15,122,539.00	15,592,655.00	15,122,539.00
Assessment Trust Fund	104,000.00	98,000.00	104,000.00	98,000.00
	<u>33,324,589.73</u>	<u>15,850,539.00</u>	<u>18,088,311.00</u>	<u>31,086,817.73</u>
Capital Lease Payable	<u>16,593.89</u>		<u>11,259.61</u>	<u>5,334.28</u>
Total	<u>\$33,341,183.62</u>	<u>\$15,850,539.00</u>	<u>\$18,099,570.61</u>	<u>\$31,092,152.01</u>

Analysis of Debt Issued and Outstanding at December 31, 2010

General Capital Serial Bonds Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>
General Improvement Bonds of 2001	9/15/2012	4.00%	\$ 2,024,000.00
General Improvement Bonds of 2006	1/1/2021	3.85%-3.90%	<u>7,510,427.10</u>
			<u>\$ 9,534,427.10</u>

Assessment Trust Serial Bonds Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>
General Improvement Bonds of 2006	1/1/2021	3.85%-3.90%	<u>\$ 305,572.90</u>

Sewer Utility Capital Serial Bonds Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>
Improvement to Sanitary Sewage System	1/1/2033	4.25%-4.40%	<u>\$ 2,800,000.00</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 2: Long-Term Debt (Cont'd)

Analysis of Debt Issued and Outstanding at December 31, 2010 (Cont'd)

Assessment Trust NJ DEP Loan Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Balance Dec. 31, 2010</u>
Pleasant Valley Dam Rehabilitation	7/14/2018	<u>\$ 1,042,277.95</u>

General Capital Bond Anticipation Notes Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>
Various Capital Improvements	01/07/11	2.00%	\$ 1,580,471.20
Improvements to Town Center	01/07/11	2.00%	3,159,399.90
Various Capital Improvements	01/07/11	2.00%	1,112,406.82
Acquisition of Lands	01/07/11	2.00%	406,473.50
Provision of Affordable Housing	01/07/11	2.00%	587,795.12
Various Capital Improvements	01/07/11	2.00%	2,075,635.33
Improvements to Maple Grange Park	01/07/11	2.00%	1,693,607.28
Various Capital Improvements	01/07/11	2.00%	1,449,925.16
Various Capital Improvements	01/07/11	2.00%	1,329,683.69
			<u>\$ 13,395,398.00</u>

Assessment Trust Bond Anticipation Notes Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>
Improvement to Woodland Hills Drive	01/07/11	2.00%	<u>\$ 92,000.00</u>

Current Fund Special Emergency Notes Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>
Special Emergency	05/13/11	1.25%	<u>\$ 420,000.00</u>
Total Debt Issued and Outstanding			<u>\$ 27,589,675.95</u>

New Jersey Department of Environmental Protection Fund Loan

The Township of Vernon entered into a loan agreement with the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection Fund (the "Fund"), which is recorded in the Assessment Trust Fund.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 2: Long-Term Debt (Cont'd)

New Jersey Department of Environmental Protection Fund Loan (Cont'd)

The loan agreement was obtained to finance a portion of the cost of the Pleasant Valley Dam Rehabilitation project.

At December 31, 2010, the Township has borrowed or "drawn down" all Loan funds necessary to complete the Pleasant Valley Dam Rehabilitation project partially funded with the Loan funds. Principal payments to the Fund for the Assessment Trust Fund loan will continue on a semiannual basis until July 14, 2018 at two percent interest.

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and Thereafter for Bonds and Loans Issued and Outstanding

Year	General		Sewer	
	Principal	Interest	Principal	Interest
2011	\$ 1,409,610.00	\$ 370,337.39	\$ 25,000.00	\$ 121,968.75
2012	1,411,200.00	1,038,666.55	25,000.00	120,906.25
2013	1,312,700.00	737,412.22	25,000.00	119,843.75
2014	1,400,750.00	690,788.30	25,000.00	118,781.25
2015	1,488,800.00	641,114.46	25,000.00	117,718.75
2016-2020	8,574,500.00	2,333,778.20	375,000.00	554,031.25
2021-2025	6,141,867.10	871,648.41	700,000.00	440,937.50
2026-2030	1,190,000.00	26,774.00	1,000,000.00	241,775.00
2031-2033			600,000.00	39,600.00
	<u>\$ 22,929,427.10</u>	<u>\$ 6,710,519.53</u>	<u>\$ 2,800,000.00</u>	<u>\$ 1,875,562.50</u>

Year	Assessment Trust		
	Principal	Interest	Total
2011	\$ 121,782.70	\$ 32,015.73	\$ 2,080,714.57
2012	131,632.69	29,418.07	2,756,823.56
2013	153,621.73	26,253.37	2,374,831.07
2014	158,110.80	22,625.72	2,416,056.07
2015	162,650.89	18,871.96	2,454,156.06
2016-2020	585,919.14	38,031.57	12,461,260.16
2021-2025	34,132.90	665.59	8,189,251.50
2026-2030			2,458,549.00
2031-2033			639,600.00
	<u>\$ 1,347,850.85</u>	<u>\$ 167,882.01</u>	<u>\$ 32,733,092.99</u>

The Township issued \$13,395,000 in serial bonds on January 6, 2011 to permanently finance the \$13,395,398 in bond anticipation notes as of December 31, 2010. The 2011 general bonds were issued with interest rates of 3.00% to 4.50% and matures on July 1, 2026. The Schedule of Annual Debt Service above includes the 2011 general bonds of \$13,395,000 in principal and \$4,712,998 in interest.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 3: Fund Balances Appropriated

As of the date of this report, the budget for 2011 has not been adopted. Thus, the amount of fund balances at December 31, 2010, which are included in the Current and Sewer Utility Operating Fund budgets for the year ended December 31, 2011, are not known at this time.

Note 4: Local School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Township of Vernon has elected not to defer school taxes.

Note 5: Pension Plans

Current Township employees are enrolled in one of two cost sharing multiple-employer public employee retirement systems: the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS) of New Jersey or the Defined Contribution Retirement Program (DCRP). The State of New Jersey sponsors and administers these plans which cover substantially all Township employees. As a general rule, all full-time employees are eligible to join one of these two public employees' retirement systems. However, if an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP.

Employees who are members of PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal year's compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service. Enrolled PFRS members may retire at age 55 with a minimum of 10 years of service required for vesting. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contributions are based on percentages of 5.5% for PERS and DCRP and 8.5% for PFRS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the three Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits for PERS and PFRS. In the PERS, the employer contribution includes funding for post-retirement medical premiums. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For PERS, the annual pension cost ("APC") for 2008 differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997. The annual pension cost for 2008 is \$357,456.40 while the net pension obligation ("NPO") was \$285,965.12. The APC for PERS was \$397,191.00 and \$215,407.50 for 2010 and 2009, respectively. The APC for PFRS was \$739,471.50, \$357,639.50 and \$597,736.00 for 2010, 2009 and 2008, respectively.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

(Continued)

Note 6: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$619,924.18. This amount is not reported either as an expenditure or a liability. However, it is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used. This amount is partially reserved in the Reserve for Accrued Sick and Vacation of \$208,185.50 on the Trust Fund balance sheet at December 31, 2010.

Note 7: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

Comparative Schedule of Tax Rate Information

	2010	2009*	2008
<u>Tax Rate</u>	\$ 2.51	\$ 2.41	\$ 4.23
<u>Apportionment of Tax Rate</u>			
Municipal	.58	.55	.91
County	.46	.45	.80
Local School	1.47	1.41	2.52
<u>Assessed Valuations</u>			
2010	\$ 2,804,903,031.00		
2009		\$ 2,812,118,145.00	
2008			\$ 1,532,971,856.00

* Revaluation year

Comparison of Tax Levies and Collection

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collection
2010	\$ 70,325,413.72	\$ 67,628,155.07	96.15%
2009	67,754,966.74	65,110,737.45	96.09%
2008	65,021,837.90	62,633,643.44	96.33%

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 7: Selected Tax Information (Cont'd)

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 8: Cash and Cash Equivalents and Investments

Cash and cash equivalents include change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Township classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Township ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Township limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed below and on the following page.

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds; and

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Township to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 8: Cash and Cash Equivalents and Investments (Cont'd)

Investments (Cont'd)

- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2010, cash and cash equivalents and investments of the Township of Vernon consisted of the following:

Fund	Cash on Hand	Checking Accounts	New Jersey Cash Management Fund	Certificates of Deposits	Totals
Current	\$ 775.00	\$4,839,068.68	\$ 125,634.26		\$ 4,965,477.94
Assessment Trust		857,061.35	62,083.64		919,144.99
Animal Control		67,050.00			67,050.00
Other Trust		1,452,759.82	223,668.09	\$ 15,000.00	1,691,427.91
Open Space Trust		931,121.52	77,269.08		1,008,390.60
General Capital		1,200,867.31	706,075.04		1,906,942.35
Sewer Utility:					
Operating		5,618.28	807.23		6,425.51
Capital		34,930.82	415,000.00		449,930.82
	<u>\$ 775.00</u>	<u>\$9,388,477.78</u>	<u>\$1,610,537.34</u>	<u>\$ 15,000.00</u>	<u>\$11,014,790.12</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

(Continued)

Note 8: Cash and Cash Equivalents and Investments (Cont'd)

The Township has \$15,000.00 of investments in the form of a certificate of deposit as of the year ended December 31, 2010. The carrying amount of the Township's cash and cash equivalents and investments at year end was \$11,014,790.12 and the bank balance was \$11,121,259.76. The \$1,610,537.34 in the New Jersey Cash Management Fund is uninsured and unregistered.

Note 9: Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Township obtains their health benefit coverage through Horizon Blue Cross/Blue Shield of NJ and dental coverage through Delta Dental.

The following coverages are obtained through a commercial policy:

- a.) Liability Other Than Motor Vehicles
- b.) Property Damage Other Than Motor Vehicles
- c.) Motor Vehicles
- d.) Environmental

The Township of Vernon is currently a member of the Statewide Insurance Fund (the "Fund"). The Fund provides its members with Workers' Compensation Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self administered group of governmental entities established for the purpose of providing low-cost insurance coverage for its members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of this Fund, the Township could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. The members may either receive payment or offset their subsequent year assessments with their respective share of the distribution.

Selected, summarized financial information for the Fund is as follows:

	Statewide Insurance Fund Dec. 31, 2009
Total Assets	\$ 30,161,287
Fund Equity/Retained Earnings	\$ 4,165,758
Total Revenue	\$ 16,967,676
Total Expenditures	\$ 17,168,049
Net Loss for the Year Ended December 31, 2009	\$ (200,373)
Net Assets Distribution to Participating Members	\$ -0-

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 9: Risk Management (Continued)

Financial statements for the Fund are available at the offices of the Fund's Executive Director:

Statewide Insurance Fund
206 Columbia Turnpike
P.O. Box 678
Florham Park, NJ 07932-0678
(973) 549-1900

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State.

The following is a summary of Township and employee contributions, interest earned and reimbursements to the State for benefits paid and the ending balance of the Township's expendable trust fund for the current and previous two years.

<u>Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Claims/ Reimbursed</u>	<u>Ending Balance</u>
2010	\$ 111,000.00	\$ 13,780.11	\$ 54.65	\$ 91,977.33	\$ 60,067.17
2009	34,000.00	11,042.29	82.46	41,797.16	27,209.74
2008	30,000.00	11,087.89	210.92	34,092.88	23,882.15

Note 10: Post Retirement Benefits

Plan Description

The Township of Vernon obtains their postemployment healthcare plan coverage from Horizon Blue Cross Blue Shield of NJ and postemployment dental plan coverage from Delta Dental.

The Township provides post-retirement benefits to both bargaining and non-bargaining employees who meet the following criteria:

1. Bargaining Unit Employees

A. New Jersey State Policemen's Benevolent Association Local No. 285

The Township shall pay health insurance premiums for retired police officers and their eligible dependents under the following circumstances:

1. Individuals employed with the Township of Vernon as of January 1, 1999, and who are eligible to retire within the meaning of PFRS (Police and Firemen's Retirement System) shall be entitled to receive paid health benefits after retirement and up until age sixty-five (65) with coverage equal to that of an active duty employee. When the retiree reaches the age of sixty-five (65), the Township of Vernon shall provide the retiree with a supplemental integrated coverage policy which shall be secondary to the retiree's Medicare coverage.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 10: Post Retirement Benefits (Continued)

Plan Description (Continued)

1. Bargaining Unit Employees (Continued)

B. New Jersey State Policemen's Benevolent Association Local No. 285 (Continued)

2. Individuals hired by the Township of Vernon after January 1, 1999, who retire within the meaning of PFRS and who have served in a fulltime capacity in Vernon Township for fifteen (15) years, shall be entitled to receive health benefits after retirement up until they reach the age of sixty-five (65) with coverage equal to that of an active duty employee. When the retiree reaches the age of sixty-five (65), the Township of Vernon shall provide the retiree with a supplemental integrated coverage policy which shall be secondary to the retiree's Medicare coverage
3. Upon the death of the retired Police Officer, coverage will be continued for his or her spouse, provided that the officer was married to the spouse at the time of his/her retirement, and will be continued for his or her dependent children, provided the children were designated as dependents at the time of the Police Officer's retirement, until the death or remarriage of the spouse, or until receipt of other coverage by that spouse, or until the spouse reaches the age of sixty-five (65), whichever occurs first.
4. After retirement, no new dependents may be added to the Police Officer's coverage. However, if a retired Police Officer, who had coverage for his or her spouse at the time of retirement, remarries, the new spouse may receive coverage as provided for in Paragraph "3" above. However, upon the death of that Police Officer, all coverages for the new spouse will terminate.
5. A retired Police Officer may apply not to be covered for medical insurance under the Township of Vernon's insurance plan in exchange for cash payment equal to one-half (1/2) of the savings on the costs to the Township of Vernon for providing coverage to said employee for one year. The Police Officer may not, thereafter, apply to rejoin the Township insurance plan.

B. U.A.W. Local No. 2326

1. Individuals employed with the Township of Vernon as of December 31, 2007, who retire within the meaning of PERS (Public Employees' Retirement System) and who have served in a full time capacity in Vernon Township for at least 20 years, shall be entitled to receive health benefits after retirement up until they reach the age sixty-five (65) with coverage equal to that of an active duty employee. When the retiree reaches the age of sixty-five (65), the Township shall provide the retiree with a supplemental integrated coverage policy which shall be secondary to the retiree's Medicare coverage, provided that the total available coverage is equal to that of an active duty employee.
2. Upon the death of a retired employee who was employed by the Township as of December 31, 2007, coverage will be continued for his or her spouse or same or opposite sex domestic partner, provided that the employee was married or domestically partnered at the time of his or her retirement, and will be continued for his or her dependent children, provided the children were designated as dependents at the time of the employee's retirement, until the death, remarriage or re-partnering of the spouse or partner, or until receipt of other coverage by that spouse or partner, or until the spouse or partner reaches the age of sixty-five (65), whichever occurs first.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 10: Post Retirement Benefits (Continued)

Plan Description (Continued)

1. Bargaining Unit Employees (Continued)

B. U.A.W. Local No. 2326 (Continued)

3. For employees commencing employment with the Township on or after January 1, 2010, upon retirement as defined by PERS:
 - i. The employee will continue to receive single health insurance paid for by the Township up to age 65;
 - ii. The Township will provide coverage for the employee's spouses and/or dependents upon contribution by the employee of the current Township Group Rate until the employee is age 65 and to age 25 for dependents;
 - iii. Upon age 65/qualification for Medicare, the Township will provide the employee with single coverage Basic AARP Medicare Supplemental Insurance until the death of the employee.
4. After retirement, no new dependents may be added to the employee's coverage. However, if a retired employee who had coverage for his or her spouse or domestic partner at the time of retirement remarries or repartners, the new spouse or domestic partner may receive coverage as provided for in Paragraph 3 or 4 above as applicable. However, upon the death of that employee, all coverages for the new spouse or domestic partner will terminate.
5. A retired employee may opt out of being covered for medical insurance under the Township's insurance plan in exchange for a cash payment equal to one-half of the savings on the costs to the Township for providing coverage to said employee for one year. The employee may not, thereafter, apply to rejoin the Township insurance plan.

C. American Federation of State, County and Municipal Employees (AFSCME) Local #3181

1. For employees who were employed with the Township as of December 31, 2009, and who retire within the meaning of PERS and who serviced in a full-time capacity with the Township for at least 20 years shall be entitled to receive health benefits after retirement until they reach the age of 65 with coverage equal to that of an active duty employee. When the retiree reaches the age of 65, the Township shall provide the retiree with a supplemental integrated coverage policy which shall be secondary to the retiree's Medicare coverage, provided that the total available coverage is equal to that of an active duty employee. Upon the death of the retired employee, coverage will be continued for their spouse, provided that the employee was married to the spouse at the time of their retirement, and will be continued for their dependent children, provided the children were designated as dependent at the time of their retirement or until the death or remarriage of the spouse, or until the receipt of other coverage by that spouse or until the spouse reaches age sixty five (65) whichever occurs first.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 10: Post Retirement Benefits (Continued)

Plan Description (Continued)

C. American Federation of State, County and Municipal Employees (AFSCME) Local #3181 (Continued)

2. For employees hired on or after January 1, 2010, and who retire within the meaning of PERS and who serviced in a full-time capacity with the Township for at least 20 years shall be entitled to receive single coverage health benefits after retirement until they reach the age of 65 with coverage equal to that of an active duty employee. When the retiree reaches the age of 65, the Township shall provide the retiree with a single coverage Basic AARP Medical Supplemental Insurance. The Township will provide coverage for the employee's spouse *and/or* dependents upon contribution of the current Township Group Rate until age 65 for employee and age 25 for the dependents.

2. Non-bargaining Employees

Employees who retire on a disability pension or retire within the meaning of the Public Employees Retirement System or Police and Fireman's Retirement System and who have 15 or more years of service with the Township of Vernon are eligible for:

Paid health insurance benefits which are the same or substantially similar to those of active Township employees. The Township's coverage is primary until the employee or spouse reaches age 65, at which time Medicare provides the primary coverage and the Township provides secondary coverage for the person reaching age 65.

Upon the death of the retired employee, coverage will be continued for his or her spouse, provided that the employee was married to the spouse at the time of his/her retirement, and will be continued for his or her dependent children for as long as they remain eligible for coverage, provided the children were designated as dependents at the time of the employees' retirement, until the death or remarriage of the spouse, or until receipt of other coverage by that spouse, until the spouse reaches the age of 65, whichever occurs first.

Funding Policy

The Township is not required to nor does it contribute the annual required contribution (ARC) per N.J.S. 40A:4-1 et. seq. There is currently no provision under State statute for the Township to accrue funds, create a trust or issue debt to finance their other post employment benefit ("OPEB") liability.

Currently, there are no contribution requirements of plan members.

The Township's portion of post-retirement benefits is funded on a pay-as-you-go basis from the Current Fund operating budget. During 2010, the Township had approximately 146 employees who met eligibility requirements and recognized expenses of approximately \$841,521.34.

Annual OPEB Cost per Actuarial Valuation

For 2010, the Township's annual OPEB cost (expense) and the ARC was \$887,688.00. The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 are as follows:

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 10: Post Retirement Benefits (Continued)

Annual OPEB Cost per Actuarial Valuation (Cont'd)

<u>Year</u>	<u>Actuarial Estimated OPEB Payments</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligations</u>
2010	\$ 697,055.00	\$ 887,688.00	78.52%	\$ 190,633.00

Funding Status and Funding Progress

The funded status of the plan as of December 31, 2010 was as follows:

	<u>2010</u>
Actuarial Accrued Liability (AAL)	\$ 20,416,140.00
Actuarial Value of Plan Assets	\$ -0-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 20,416,140.00</u>
Funded Ratio (Actuarial Value of Plan Assets (AAL))	0.00%
Covered Payroll (Active Plan Members as of December 31, 2010)	\$ 5,926,627.41
UAAL as a Percentage of Covered Payroll as of December 31, 2010	344.48%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include economic assumptions; benefit assumptions and demographic assumptions. Economic assumptions include the discount rate and health care cost trend rates. Benefit assumptions encompass the initial per capita costs rates for medical coverage. Finally, demographic assumptions include probabilities concerning retirement, mortality, termination without being eligible for benefits; disability; participation rates and coverage levels. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 10: Post Retirement Benefits (Continued)

Actuarial Methods and Assumptions (Cont'd)

In the 2010 actuarial valuation, the projected unit credit cost method was used. Under this method, the present value of benefits is allocated uniformly over an employee's expected working lifetime. The actuarial assumptions included a 0.0% investment rate of return. An initial annual medical cost trend of 9.0% was utilized as the initial rate which decreases to a 5.0% long-term rate for medical benefits after eight years. For prescription drug benefits and Medicare Part B reimbursements, an initial trend rate of 9.0% was utilized which decreases to a 5.0% long-term rate after eight years.

Note 11: Contingencies

The Township is periodically involved in various other lawsuits arising in the normal course of business, which often include claims for property damage, personal injury, tax appeals, constitutional rights, civil rights and various contract disputes. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Township's financial position as of December 31, 2010.

Amounts received or receivable from grantors, principally the federal and state governments, are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Township as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Township officials expect such amounts, if any, to be immaterial.

In addition, the Township has been advised that several issues regarding the property/easement acquisition by the Township in the "Town Center" area remain unresolved. No lawsuit has been filed. The parties have met and will continue to meet in an effort to resolve these issues amicably. The Township has also been advised that issues regarding reimbursable fees in the amount of \$290,848.66 to the Sussex County Municipal Utilities Authority ("SCMUA") remain unresolved but no lawsuit has been filed. The Township will try to resolve these issues amicably with SCMUA. Also, the Township has financing agreements in place for the debt related to the sewer system with several other entities. If these entities were to default, the Township would be required to pay the debt service related to the sewer system.

The Township has made a claim against Ameripay, the Township's previous outside payroll service company, in Bankruptcy Court for funds paid to Ameripay where Ameripay did not make the required tax payments to the appropriate taxing authorities. The prospects for the claim remain unknown.

Note 12: Interfund Receivables and Payables

The following interfund balances remained on the various balance sheets at December 31, 2010:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund		\$ 299,888.88
Federal and State Grant Fund	\$ 284,074.81	
Assessment Trust Fund	150.17	
Other Trusts Fund	15,663.90	
	<u>\$ 299,888.88</u>	<u>\$ 299,888.88</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 12: Interfund Receivables and Payables (Cont'd)

The interfund payable in the Current Fund represents the net of Federal and State Grant Fund expenditures paid by the Current Fund and Federal and State Grant Fund receipts collected by the Current Fund; funds collected by the Current Fund on Other Trust Funds' behalf; as well as current year interest on assessment receivable from the Assessment Trust Fund.

Note 13: Economic Dependency

The Township receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Township's programs and activities.

Note 14: Fixed Assets

The following is a summarization of general fixed assets for the years ended December 31, 2010 and 2009:

	Balance Dec. 31, 2009	Additions	Deletions	Balance Dec. 31, 2010
Land & Land Improvements	\$ 4,011,803.00			\$ 4,011,803.00
Buildings & Building Improvements	2,227,791.65			2,227,791.65
Machinery and Equipment	10,840,977.91	\$ 127,597.39	\$ 50,613.99	10,917,961.31
	<u>\$ 17,080,572.56</u>	<u>\$ 127,597.39</u>	<u>\$ 50,613.99</u>	<u>\$ 17,157,555.96</u>
	Balance Dec. 31, 2008	Additions	Deletions	Balance Dec. 31, 2009
Land & Land Improvements	\$ 4,011,803.00			\$ 4,011,803.00
Buildings & Building Improvements	2,227,791.65			2,227,791.65
Machinery and Equipment	10,184,521.74	\$ 661,995.15	\$ 5,538.98	10,840,977.91
	<u>\$ 16,424,116.39</u>	<u>\$ 661,995.15</u>	<u>\$ 5,538.98</u>	<u>\$ 17,080,572.56</u>

Note 15: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2010, the following deferred charges are shown on the balance sheets of the Current Fund and Sewer Utility Operating Fund:

	Balance Dec. 31, 2010	Required 2011 Budget Appropriation	Balance to Succeeding Years' Budgets
Current Fund:			
Special Emergency Authorizations (N.J.S.A. 40A:4-53)	\$ 420,000.00	\$ 210,000.00	\$ 210,000.00
Sewer Utility Operating Fund:			
Deficit in Operations	92,208.53	92,208.53	-0-

The appropriation in the 2011 budget will not be less than that required by statute.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010
(Continued)

Note 16: Deferred Compensation

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is administered by V.A.L.I.C., permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

TOWNSHIP OF VERNON

SUPPLEMENTARY DATA

TOWNSHIP OF VERNON
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2010

The following officials were in office during the period under audit:

Name	Title	Amount of Bond	Name of Corporate or Personal Surety
Sally Rinker	Mayor		
Harry Shortway	Deputy Mayor		
Richard Carson	Councilmember		
Brian Lynch	Councilmember (from 12/6/10)		
Michael Pier	Councilmember (to 11/17/10)		
Valerie Seufert	Councilmember		
Melinda Carlton	Manager (to 1/14/10)		
Robin Kline	Acting Manager (from 1/14/10 to 4/21/10)		
Catherine Navarro-Steinel	Manager (from 4/21/10 to 5/28/10)		
Brian Palaia	Acting Manager (from 5/28/10 to 6/11/10)		
Andrew Katz	Manager (from 6/11/10 to 8/12/10)		
Gerald Giaimis	Manager (from 8/12/10)		
Robin Kline	Municipal Clerk (to 6/30/10)		
Andrea Bates	Acting Municipal Clerk (from 6/30/10)		
Antoinette Izzo	Tax Collector	\$ 230,000.00	Selective Insurance Company
William Zuckermann	Chief Financial Officer	250,000.00	Selective Insurance Company
James Devine	Magistrate	12,000.00	Selective Insurance Company
Donna Zuidema	Court Administrator	15,000.00	Selective Insurance Company
Linda McDonnell	Deputy Court Administrator	15,000.00	Selective Insurance Company
Thomas Pinand	Construction Official		
Thomas Maellaro	Animal Control Officer	3,000.00	Selective Insurance Company
Louis Kneip	Director of Planning and Development (to 5/15/10)		
Roy Wherry	Police Chief		
Courter, Kobert & Cohen	Attorney		
Alicia Ferrante	Prosecutor		
Lynne Schweighardt	Tax Assessor		
Patricia Seger	Director of Recreation	1,000.00	Selective Insurance Company

A blanket performance bond covering all employees who are not specifically bonded was issued with Selective Insurance Company in the amount of \$25,000.00.

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2010
CURRENT FUND

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2009	A	\$ 4,204,970.88
Increased by Receipts:		
Tax Collector		\$ 69,974,000.08
Revenue Accounts Receivable		3,293,984.65
Due to State of N.J.:		
Veterans and Senior Citizens' Deductions		229,811.64
Marriage License		2,425.00
Civil Union		25.00
Nonbudget Revenue		217,844.47
2010 Appropriation Refunds		448,411.76
Interest on Investments and Deposits		28,303.09
Special Emergency Notes		420,000.00
Due to Federal and State Grant Fund:		
Federal and State Grants Receivable		181,286.86
Unappropriated Grant Reserves		11,813.76
Due from Assessment Trust Fund:		
Interfund Advanced		150.17
Due from Other Trust Funds:		
Interfund Advanced		5,808.77
Due from Animal Control Fund:		
Settlement of Prior Year Interfund		10,915.00
Reserve for:		
Garden State Trust		105,963.00
		<hr/>
		74,930,743.25
		<hr/>
		79,135,714.13

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.

Decreased by Disbursements:

2010 Appropriation Expenditures	\$ 17,690,944.00
2009 Appropriation Reserves	1,156,868.80
Special Emergency Notes	630,000.00
Due to State of NJ:	
Marriage License	2,450.00
Civil Union	25.00
Due from Federal and State Grant Fund:	
Appropriated Grant Reserves	211,564.83
Prior Year Encumbrances	73,223.67
Due to General Capital Fund:	
Settlement of Prior Year Interfund	163,534.80
Due to Assessment Trust Fund:	
Settlement of Prior Year Interfund	2,084.96
Due to Other Trust Funds:	
Settlement of Prior Year Interfund	5,351.72
Local School District Taxes	41,227,574.50
County Taxes	12,885,377.71
Accounts Payable	51,750.00
Refund of Tax Overpayments	22,819.73
Refund of Prior Year Taxes	33,271.97
Reserve for:	
Revaluation	13,729.50
Sale of Municipal Assets - Attorney Fees	440.00

\$ 74,171,011.19

Balance December 31, 2010

A

\$ 4,964,702.94

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2010

Increased by Receipts:

Taxes Receivable	\$ 69,183,219.97	
Tax Title Liens Redemption	9,836.43	
2011 Prepaid Taxes	347,297.87	
Interest and Costs on Taxes	406,958.19	
Miscellaneous Revenue Not Anticipated	2,548.75	
Tax Overpayments	<u>24,138.87</u>	
		\$ 69,974,000.08

Decreased by:

Payments to Treasurer		<u><u>\$ 69,974,000.08</u></u>
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TOWNSHIP OF VERNON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF CASH
YEAR ENDED DECEMBER 31, 2010

NOT APPLICABLE

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2009	2010 Levy	Collections		State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2010
			2009	2010				
2006	\$ 1,622.65			\$ 1,622.65				
2008	2,794.71							\$ 2,794.71
2009	2,161,934.08			2,134,914.56		\$ 6,161.92	\$ 20,518.52	339.08
	2,166,351.44			2,136,537.21		6,161.92	20,518.52	3,133.79
2010		\$ 70,325,413.72	\$ 348,785.05	67,046,682.76	\$ 232,687.26	229,623.52	406,369.35	2,061,265.78
	<u>\$ 2,166,351.44</u>	<u>\$ 70,325,413.72</u>	<u>\$ 348,785.05</u>	<u>\$ 69,183,219.97</u>	<u>\$ 232,687.26</u>	<u>\$ 235,785.44</u>	<u>\$ 426,887.87</u>	<u>\$ 2,064,399.57</u>

Ref. A

A

Analysis of 2010 Property Tax Levy:

Tax Yield:

General Purpose Tax	\$ 70,262,850.91
Added Taxes (54:4-63.1 et seq.)	<u>62,562.81</u>

\$ 70,325,413.72

Tax Levy:

Local School District Taxes	\$ 41,227,574.50
County Taxes:	
General Taxes	\$ 12,872,793.94
Due County for Added and Omitted Taxes	<u>11,680.13</u>
	12,884,474.07
Local Tax for Municipal Purposes	16,160,703.00
Additional Taxes Levied	<u>52,662.15</u>

16,213,365.15

\$ 70,325,413.72

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2009	A	\$ 2,837,085.97
Increased by:		
Transfer from Taxes Receivable		\$ 426,887.87
Interest and Costs on Tax Sale		<u>2,445.22</u>
		<u>429,333.09</u>
		3,266,419.06
Decreased by:		
Tax Title Lien Redeemed		<u>9,836.43</u>
Balance December 31, 2010	A	<u><u>\$ 3,256,582.63</u></u>

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2010

	<u>Accrued In</u> <u>2010</u>	<u>Collected by</u> <u>Treasurer</u>
Alcoholic Beverages Licenses	\$ 7,733.90	\$ 7,733.90
Fees and Permits	128,942.83	128,942.83
Municipal Court:		
Fines and Costs	108,932.61	108,932.61
Consolidated Municipal Property Tax Relief Aid	98,792.00	98,792.00
Energy Receipts Taxes	1,763,456.00	1,763,456.00
Watershed Moratorium Aid	294,455.00	294,455.00
Uniform Construction Code Fees	333,260.00	333,260.00
Interlocal Service Agreement - 911 Communications:		
Township of Wantage	70,000.00	70,000.00
Borough of Sussex	16,053.00	16,053.00
Uniform Fire Safety Act	27,914.77	27,914.77
General Capital Surplus	236,000.00	236,000.00
Assessment Trust Surplus	10,000.00	10,000.00
Geographic Information Systems	550.00	550.00
Lot Development Plan	5,750.00	5,750.00
Hotel Occupancy Fee	169,511.01	169,511.01
Interest on Pleasant Valley Lake Dam Loan	22,633.53	22,633.53
	<u>\$ 3,271,351.12</u>	<u>\$ 3,293,984.65</u>

TOWNSHIP OF VERNON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

	Balance Dec. 31, 2009	Budget Revenue Realized	Received	Transferred From Unappropriated Reserves	Cancelled	Balance Dec. 31, 2010
Municipal Alliance on Alcoholism and Drug Abuse:						
2009	\$ 10,419.31		\$ 8,925.32		\$ 1,493.99	
2010		\$ 20,467.00				\$ 20,467.00
Body Armor Replacement Grant - Federal:						
2007	79.79		79.79			
2008	2,619.70		2,619.70			
2009	689.44		344.62			344.82
Body Armor Replacement Grant - State:						
2009		1,281.37	1,281.37			
Handicapped Recreation Opportunities:						
2009	2,000.00		2,000.00			
NJ Department of Environmental Protection:						
Black Creek Watershed:						
2005	156,273.13				156,273.13	
2006	39,000.00				39,000.00	
Recycling Tonnage Grant - 2009		12,416.00		\$ 12,415.78	0.22	
Smart Growth Planning - Rt 94 - 2004	60,000.00				60,000.00	
Enhanced 911 Equipment - 2006	35,916.00				35,916.00	
Planning Assistance Grant - 2005	7,500.00				7,500.00	
Drunk Driving Enforcement Fund - 2009		7,054.00		7,054.00		
Clean Communities Grant - 2009		8,868.00		8,868.00		
Clean Communities Grant - 2010		42,713.98	42,713.98			
Safe and Secure Communities Program:						
2009	58,030.00		58,030.00			
2010		60,000.00	45,000.00			15,000.00
NJ Division of Highway Traffic Safety:						
Over the Limit Under Arrest - 2009 Year End Crackdown		1,000.00	1,000.00			

TOWNSHIP OF VERNON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

	Balance Dec. 31, 2009	Budget Revenue Realized	Received	Transferred From Unappropriated Reserves	Cancelled	Balance Dec. 31, 2010
NJ Highlands Water Protection & Planning Council:						
Regional Master Plan		\$ 16,157.00		\$ 16,156.63	\$ 0.37	
Highlands Master Plan Grant		9,314.80	\$ 9,314.80			
New Jersey Clean Energy Program		8,624.00	8,624.00			
State Farm Mutual Automobile Insurance Co:						
Child Safety Seat Check Events Grants		750.00	750.00			
Municipal Alcohol Education/Rehabilitation Program		603.28	603.28			
	<u>\$ 372,527.37</u>	<u>\$ 189,249.43</u>	<u>\$ 181,286.86</u>	<u>\$ 44,494.41</u>	<u>\$ 300,183.71</u>	<u>\$ 35,811.82</u>

Ref.

A

A

Federal Grants	\$ 4,044.11
State Grants	176,492.75
Local Grants	750.00
	<u>\$ 181,286.86</u>

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF 2009 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2010

	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Balance</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
GENERAL GOVERNMENT:				
Administrative & Executive:				
Salaries and Wages	\$ 41,454.41	\$ 11,454.41	\$ 11,398.19	\$ 56.22
Other Expenses	10,740.45	10,740.45	8,642.27	2,098.18
Personnel:				
Salaries and Wages	3,244.13	5,544.13	5,534.38	9.75
Other Expenses	23,657.13	23,657.13	23,255.35	401.78
Mayor and Council:				
Salaries and Wages	1,918.58	1,918.58	384.61	1,533.97
Other Expenses	2,948.14	2,948.14		2,948.14
Township Clerk:				
Salaries and Wages	2,705.86	4,720.86	4,718.46	2.40
Other Expenses	22,500.78	22,500.78	22,488.62	12.16
Financial Administration:				
Salaries and Wages	25,623.72	11,623.72	11,623.72	
Other Expenses	53,022.49	53,022.49	50,080.00	2,942.49
Annual Audit	40,500.00	40,500.00	40,500.00	
Technology:				
Other Expenses	26,535.08	26,535.08		26,535.08
Revenue Administration:				
Salaries and Wages	73,732.93	6,732.93	5,776.13	956.80
Other Expenses	16,927.78	16,927.78	14,943.38	1,984.40
Tax Assessment Administration:				
Salaries and Wages	6,967.05	7,132.05	7,128.76	3.29
Other Expenses	18,415.11	18,415.11	9,388.25	9,026.86
Legal Services:				
Other Expenses	24,936.45	103,061.45	47,249.81	55,811.64
Engineering Services:				
Salaries and Wages	59,786.36	8,966.36	8,681.74	284.62
Other Expenses	6,216.69	6,216.69		6,216.69
Affordable Housing (COAH) -				
Contractual Services	118,737.50	91,737.50	45,330.00	46,407.50
Economic Development:				
Other Expenses	14,979.97	14,979.97	5,004.64	9,975.33
Beautification Committee:				
Other Expenses	9,420.25	9,420.25		9,420.25
Historic Preservation:				
Other Expenses	2,086.00	2,086.00	1,020.00	1,066.00
LAND USE ADMINISTRATION:				
Land Use Board:				
Salaries and Wages	3,034.70	3,034.70	2,479.69	555.01
Other Expenses	54,190.37	54,190.37	26,590.59	27,599.78

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF 2009 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	Balance Dec. 31, 2009	Balance After Modification	Paid or Charged	Balance Lapsed
LAND USE ADMINISTRATION:				
Green Task Force:				
Other Expenses	\$ 12,000.00	\$ 12,000.00		\$ 12,000.00
INSURANCE:				
General Liability	9,894.17	9,894.17	\$ 3,845.97	6,048.20
Workers Compensation Insurance	2,147.53	2,147.53		2,147.53
Employees Group Insurance	92,879.62	92,879.62	51,971.90	40,907.72
PUBLIC SAFETY FUNCTIONS:				
Police Department:				
Salaries and Wages	136,730.76	136,730.76	121,852.38	14,878.38
Other Expenses	64,067.02	64,067.02	5,909.47	58,157.55
Township Radio and Communications:				
Salaries and Wages	11,346.37	15,251.37	15,250.70	0.67
Other Expenses	700.00	700.00		700.00
Volunteer Emergency Services:				
Other Expenses	42,775.18	42,775.18	40,714.72	2,060.46
Uniform Fire Safety Act:				
Salaries and Wages	2,898.26	3,933.26	3,932.50	0.76
Other Expenses	4,075.00	4,075.00		4,075.00
Municipal Prosecutor				
Other Expenses	9,000.00	9,000.00		9,000.00
Municipal Court:				
Salaries and Wages	4,889.60	5,919.60	5,918.56	1.04
Other Expenses	4,596.94	4,596.94	350.00	4,246.94
PUBLIC WORKS FUNCTIONS:				
Streets and Roads Maintenance:				
Salaries and Wages	76,102.13	64,102.13	63,440.36	661.77
Other Expenses	23,605.88	33,605.88	20,110.45	13,495.43
Recycling				
Other Expenses	16,540.00	18,540.00	15,033.33	3,506.67
Buildings and Grounds:				
Other Expenses	16,309.06	16,309.06	6,939.69	9,369.37
Fleet Management:				
Salaries and Wages	4,430.95	10,120.95	10,117.78	3.17
Other Expenses	61,251.65	61,251.65	24,688.03	36,563.62
Municipal Services Act:				
Other Expenses	236,653.21	280,653.21	280,402.31	250.90
HEALTH AND HUMAN SERVICES FUNCTIONS:				
Environmental Commission:				
Other Expenses	214.00	214.00	72.00	142.00
Animal Control Services:				
Salaries and Wages	3,496.35	4,691.35	4,689.06	2.29
Other Expenses	3,608.55	3,608.55	1,514.29	2,094.26

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF 2009 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2010
(Continued)

	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Balance</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
PARKS AND RECREATION FUNCTIONS:				
Recreation:				
Salaries and Wages	\$ 2,038.22	\$ 2,413.22	\$ 2,408.28	\$ 4.94
Other Expenses	44,806.58	44,806.58	2,857.07	41,949.51
Senior Citizens:				
Salaries and Wages		265.00	201.00	64.00
Other Expenses	2,440.73	2,440.73		2,440.73
PARKS AND RECREATION FUNCTIONS:				
Maintenance of Parks:				
Salaries and Wages	4,259.51	4,259.51	3,773.23	486.28
Other Expenses	20,485.72	20,485.72		20,485.72
OTHER COMMON OPERATING FUNCTIONS:				
Salary and Wage Adjustment		55,950.00	26,642.94	29,307.06
Construction Code Official:				
Salaries and Wages	4,714.75	14,169.75	14,166.60	3.15
Other Expenses	7,230.39	7,230.39	944.00	6,286.39
UTILITY EXPENSES AND BULK PURCHASES:				
Utilities	213,884.51	196,884.51	195,337.11	1,547.40
STATUTORY EXPENDITURES:				
Public Employees Retirement System	150.50	150.50		150.50
Social Security System (O.A.S.I)	15,830.23	16,145.23	16,143.56	1.67
Police and Firemen's Retirement System of NJ	0.50	0.50		0.50
Defined Contribution Retirement System	4,002.08	4,002.08		4,002.08
Interlocal Municipal Service Agreements:				
911 Communications - Service:				
Salaries and Wages	19,615.77	19,615.77	1,918.89	17,696.88
Other Expenses	5,471.53	5,471.53	3,251.41	2,220.12
	<u>\$ 1,849,425.18</u>	<u>\$ 1,849,425.18</u>	<u>\$ 1,296,616.18</u>	<u>\$ 552,809.00</u>
Ref.				
<u>Analysis of Balance on December 31, 2009:</u>				
Unencumbered	A	\$ 1,406,448.49		
Encumbered	A	442,976.69		
		<u>\$ 1,849,425.18</u>		
			Cash Disbursed	\$ 1,156,868.80
			Accounts Payable	139,747.38
				<u>\$ 1,296,616.18</u>

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2010

Increased by:

2010 School Tax Levy

\$ 41,227,574.50

Decreased by:

Payments to Local School District

\$ 41,227,574.50

TOWNSHIP OF VERNON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES

	Balance Dec. 31, 2009	Transferred from Budget Appropriations	Expended	Encumbrances Payable	Prior Year Encumbrances Cancelled	Cancelled	Balance Dec. 31, 2010
Clean Communities Program:							
2008	\$ 9,378.63		\$ 9,378.63				
2009	32,152.24	\$ 8,868.00	8,507.40	\$ 5,391.00			\$ 27,121.84
2010		42,713.98					42,713.98
Drunk Driving Enforcement Fund:							
2006	1.96					\$ 1.96	
2007	1,000.54			220.00		780.54	
2009	2,055.01	7,054.00	7,037.21				2,071.80
Body Armor Replacement Grant:							
2008 - Federal	1,109.28		985.96				123.32
2009 - Federal	689.44						689.44
2007 - State	1,898.00		1,898.00				
2008 - State	3,204.26		3,204.26				
2009 - State		1,281.37					1,281.37
Smart Growth Planning:							
2004 - State	26,217.82				\$ 1,387.52	27,605.34	
2004 - Local	995.31					995.31	
Assistance to Firefighters:							
2007 - Local	740.00					740.00	
Recreational Opportunities for Individuals with Disabilities:							
2009 - State	6,000.00		6,000.00				
2009 - Local	1,200.00		1,200.00				
Special Legislative Grant - 2003:							
Wastewater Management	178,770.08						178,770.08
Recreation Building	62,597.87		71,180.01		8,582.14		
Planning Assistance Grant - 2005	6,185.00					6,185.00	
Pandemic Flu - 2007	5,574.97					5,574.97	
Hepatitis B Fund:							
2000 - Local	4,186.00					4,186.00	
2004 - State	5,000.00			270.00		4,730.00	
NJ Department of Environmental Protection:							
Black Creek Restoration:							
2005	155,094.99					155,094.99	
2006	39,000.00					39,000.00	

TOWNSHIP OF VERNON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF APPROPRIATED RESERVES
(Continued)

	Balance Dec. 31, 2009	Transferred from Budget Appropriations	Expended	Encumbrances Payable	Prior Year Encumbrances Cancelled	Cancelled	Balance Dec. 31, 2010
State and Local All Hazards Emergency Operation Planning Program - 2003	\$ 2,405.72					\$ 2,405.72	
Recycling Tonnage Grant:							
2007	3,696.67		\$ 429.75	\$ 3,266.92			
2008	9,301.73			9,301.73			
2009		\$ 12,416.00		12,416.00			
Municipal Alliance on Alcoholism and Drug Abuse:							
2008	713.66						\$ 713.66
2009	2,868.79		1,874.80		\$ 500.00	1,493.99	
2010		20,467.00	18,422.50	1,900.00			144.50
Safe and Secure Communities Grant - 2010		60,000.00	45,000.00				15,000.00
Accident Reconstruction Unit Equipment - 2007	117.17					117.17	
US Environmental Protection Agency:							
Wastewater Infrastructure Improvement Project - 2007	1,210.98					1,210.98	
NJ Division of Highway Traffic Safety:							
Over the Limit Under Arrest - 2009 Year End Crackdown		1,000.00	1,000.00				
NJ Highlands Water Protection & Planning Council:							
Highlands Master Plan Grant		9,314.80	9,314.80				
Highlands Region Master Plan		16,157.00	16,156.63			0.37	
New Jersey Clean Energy Program		8,624.00	8,624.25			(0.25)	
State Farm Mutual Automobile Insurance Co:							
Child Safety Seat Check Events Grants		750.00	747.35				2.65
Municipal Alcohol Education/Rehabilitation Program		603.28	603.28				
	<u>\$ 563,366.12</u>	<u>\$ 189,249.43</u>	<u>\$ 211,564.83</u>	<u>\$ 32,765.65</u>	<u>\$ 10,469.66</u>	<u>\$ 250,122.09</u>	<u>\$ 268,632.64</u>
	A						A
Federal/State Grants		\$ 188,499.43					
Local Grants		750.00					
		<u>\$ 189,249.43</u>					
Federal Grants			\$ 1,985.96				
State Grants			207,631.52	\$ 32,765.65	\$ 10,469.66		
Local Matching Funds			1,947.35				
			<u>\$ 211,564.83</u>	<u>\$ 32,765.65</u>	<u>\$ 10,469.66</u>		

TOWNSHIP OF VERNON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF UNAPPROPRIATED RESERVES

	Balance Dec. 31, 2009	Grant Funds Received	Transferred to 2010 Budget Revenue	Cancelled	Balance Dec. 31, 2010
Drunk Driving Enforcement Fund:					
2009	\$ 7,054.31		\$ 7,054.00	\$ 0.31	
2010		\$ 8,948.10			\$ 8,948.10
Body Armor Replacement Grant:					
2010		2,865.41			2,865.41
Clean Communities Grant - 2009	8,868.04		8,868.00		0.04
Recycling Tonnage Grant:					
2009	12,415.78		12,415.78		
Regional Master Plan	16,156.63		16,156.63		
New Jersey Clean Energy Program		0.25		0.25	
	<u>\$ 44,494.76</u>	<u>\$ 11,813.76</u>	<u>\$ 44,494.41</u>	<u>\$ 0.56</u>	<u>\$ 11,813.55</u>

Ref.

A

A

Federal Grants	\$ -0-
State Grants	<u>11,813.76</u>
	<u>\$ 11,813.76</u>

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2010
TRUST FUNDS

TOWNSHIP OF VERNON
TRUST FUNDS
SCHEDULE OF CASH

	<u>Ref.</u>	<u>Assessment Trust Fund</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>	<u>Open Space Trust Fund</u>
Balance December 31, 2009	B	\$ 905,790.67	\$ 92,616.52	\$ 1,568,901.32	\$ 893,723.81
Increased by Receipts:					
Assessment Lien Redemption		\$ 24,783.50			
Road Assessment Receivable		39,272.67			
Pleasant Valley Dam Assessment Receivable		102,945.60			
Assessment Escrow		9,107.89			
Animal Control Collector			\$ 64,939.20		
Shelter Fees			8,460.00		
Due to State of New Jersey:					
Building Surcharge				\$ 11,684.00	
Due from Current Fund:					
Settlement of Prior Year Interfund		6,000.00		9,284.59	
Due from Animal Control Fund:					
Settlement of Prior Year Interfund				8,050.72	
Reserve for:					
Planning and Zoning Board Escrow				30,373.43	
Developer's Escrow Deposits Payable				9,018.23	
Parking Offense Adjudication Act				8.00	
Fire Prevention Penalties				185,862.16	
Public Defender				8,122.00	
Tax Sale Premium				125,459.59	
Deposit for Redemption				762,688.57	
Recreation				38,458.92	
Police Outside Services				104,382.44	
Unemployment				124,834.76	
Senior Citizens Center				2,386.58	
Coalition on Affordable Housing				6,475.41	
Developer's Bonds				153,495.87	
Pleasant Valley Dam Rehabilitation				15.57	
MAC Donations				525.00	
Animal Control Donations				3,486.91	
Open Space Trust					\$ 129,588.28
Net Payroll and Payroll Deductions				3,473,752.38	
		<u>182,109.66</u>	<u>73,399.20</u>	<u>5,058,365.13</u>	<u>129,588.28</u>
		1,087,900.33	166,015.72	6,627,266.45	1,023,312.09

TOWNSHIP OF VERNON
TRUST FUNDS
SCHEDULE OF CASH
(Continued)

<u>Ref.</u>	<u>Assessment Trust</u> <u>Fund</u>	<u>Animal Control</u> <u>Fund</u>	<u>Other Trust Funds</u>	<u>Open Space Trust</u> <u>Fund</u>
Decreased by Disbursements:				
Assessment Escrow	\$ 6,665.82			
Assessment Serial Bonds Payable	390.00			
Assessment Bond Anticipation Notes Payable	6,000.00			
NJDEP Loan Payable	119,000.78			
Administrative Expenses		\$ 80,000.00		
Due to State of New Jersey:				
Building Surcharge			\$ 10,517.00	
Due to/from Current Fund:				
Settlement of Prior Year Interfund	3,915.04	10,915.00	3,932.87	
Interfund Advanced	150.17		5,808.77	
Anticipated Revenue	32,633.53			
Due to Other Trusts:				
Settlement of Prior Year Interfund		8,050.72		
Reserve for:				
Planning and Zoning Board Escrow			25,048.52	
Developer's Escrow Deposits Payable			120,291.89	
MAC Donations			475.70	
Fire Prevention Penalties			73,866.53	
Public Defender			6,300.00	
Tax Sale Premium			127,059.59	
Deposit for Redemption			762,688.57	
Unemployment			91,977.33	
Senior Citizens Center			2,691.01	
Recreation			56,201.17	
Police Outside Services			107,436.54	
Coalition on Affordable Housing			34,249.00	
Developer's Bonds			2,258.62	
Open Space Trust				\$ 14,921.49
Net Payroll and Payroll Deductions			3,505,035.43	
	<u>\$ 168,755.34</u>	<u>\$ 98,965.72</u>	<u>\$ 4,935,838.54</u>	<u>\$ 14,921.49</u>
Balance December 31, 2010	<u>\$ 919,144.99</u>	<u>\$ 67,050.00</u>	<u>\$ 1,691,427.91</u>	<u>\$ 1,008,390.60</u>

TOWNSHIP OF VERNON
ANIMAL CONTROL TRUST FUND
SCHEDULE OF ANIMAL CONTROL FUND CASH - COLLECTOR

	<u>Ref.</u>		
Balance December 31, 2009	B	\$	-0-
Increased by Receipts:			
Municipal License Fees		\$	51,734.20
State License Fees			9,034.80
Dog License Late Fees			13,085.00
Kennel License Fees			120.00
			<u>73,974.00</u>
Decreased by Disbursements:			
Treasurer - Animal Control Fund			64,939.20
State of New Jersey			9,034.80
			<u>73,974.00</u>
Balance December 31, 2010	B	\$	<u>-0-</u>

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
ANALYSIS OF CASH

	Balance	Receipts		Disbursements			Balance
	Dec. 31, 2009	Assessments	Miscellaneous	Assessment Serial Bonds	Loan Payable	Miscellaneous	Dec. 31, 2010
Fund Balance	\$ 21,811.60		\$ 24,783.50			\$ 10,000.00	\$ 36,595.10
Due to/(from) Current Fund	(2,084.96)	\$ 28,633.53				26,698.74	(150.17)
Assessment Serial Bonds:							
<u>Ord #</u>							
03-21 Woodland Hills Drive, Red Oak Court							
Babtown Road Improvements	88,974.86	38,534.91		\$ 362.00			127,147.77
03-22 Silverdale Lane Road Improvement	13,933.50	737.76		28.00			14,643.26
Assessment Bond Anticipation Notes:							
<u>Ord #</u>							
03-21 Woodland Hills Drive, Red Oak Court							
Babtown Road Improvements	98,000.00					6,000.00	92,000.00
NJDEP Loan Payable:							
Pleasant Valley Lake Dam Rehabilitation	681,502.49	80,312.07			\$ 119,000.78		642,813.78
Assessment Escrow	3,653.18		9,107.89			6,665.82	6,095.25
	<u>\$ 905,790.67</u>	<u>148,218.27</u>	<u>33,891.39</u>	<u>\$ 390.00</u>	<u>\$ 119,000.78</u>	<u>\$ 49,364.56</u>	<u>\$ 919,144.99</u>
Ref.	B						B

TOWNSHIP OF VERNON
ANIMAL CONTROL FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES

	<u>Ref.</u>		
Balance December 31, 2009	B	\$	73,650.80
Increased by:			
Dog Fees Collected Due to Treasurer:			
Dog License Fees		\$	51,734.20
Late Fees			13,085.00
Shelter Fees			8,460.00
Kennel License Fees			120.00
			<u>73,399.20</u>
			<u>147,050.00</u>
Decreased by:			
Animal Control Expenditures			<u>80,000.00</u>
Balance December 31, 2010	B	\$	<u><u>67,050.00</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2008	\$ 36,536.40
2009	<u>53,204.20</u>
Maximum Allowable Reserve	<u><u>\$ 89,740.60</u></u>

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENTS RECEIVABLE

Improvement Description	Date of Confirmation	Balance Dec 31, 2009	Collections	Transferred to Assessment Liens	Balance Dec 31, 2010	Balance Pledged to		
						Assessment Bonds	Loan Payable	Reserve
Improvements to Pleasant Valley Dam	11/10/03	\$ 600,276.56	\$ 102,945.60	\$ 2,044.00	\$ 495,286.96		\$ 399,464.17	\$ 95,822.79
Silverdale Lane Road Improvement	10/02/06	8,115.42	737.76		7,377.66	\$ 7,377.64		0.02
Woodland Hills Drive, Red Oak Court, Babbtown Road Improvements	10/02/06	231,939.40	38,534.91		193,404.49	156,404.23		37,000.26
		<u>\$ 840,331.38</u>	<u>\$ 142,218.27</u>	<u>\$ 2,044.00</u>	<u>\$ 696,069.11</u>	<u>\$ 163,781.87</u>	<u>\$ 399,464.17</u>	<u>\$ 132,823.07</u>
	<u>Ref.</u>	B			B			

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF PROSPECTIVE ASSESSMENTS FUNDED
YEAR ENDED DECEMBER 31, 2010

NOT APPLICABLE

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Issue of Original Note	Date of		Interest Rate	Balance Dec. 31, 2009	Issued	Matured	Balance Dec. 31, 2010
			Issue	Maturity					
04-16	Improvement to Woodland Hills Drive	01/13/05	01/10/09	01/09/10	3.00%	\$ 98,000.00		\$ 98,000.00	
			01/07/10	01/07/11	2.00%		\$ 92,000.00		\$ 92,000.00
						\$ 98,000.00	\$ 92,000.00	\$ 98,000.00	\$ 92,000.00
					<u>Ref.</u>	B			B
			Renewals				\$ 92,000.00	\$ 92,000.00	
			Paid by Budget Appropriation					6,000.00	
							\$ 92,000.00	\$ 98,000.00	

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2009	Matured	Balance Dec. 31, 2010
			Outstanding Date	Dec. 31, 2010 Amount				
General Bonds of 2006	01/01/06	\$ 307,132.90	01/01/11	\$ 390.00	3.85%			
			01/01/12	7,800.00	3.85%			
			01/01/13	27,300.00	3.85%			
			01/01/14	29,250.00	3.85%			
			01/01/15	31,200.00	3.85%			
			01/01/16-20	35,100.00	3.85%			
			01/01/21	34,132.90	3.90%	\$ 305,962.90	\$ 390.00	\$ 305,572.90
						<u>\$ 305,962.90</u>	<u>\$ 390.00</u>	<u>\$ 305,572.90</u>
					<u>Ref.</u>	B		B

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION LOAN PAYABLE

Ord. No.	Improvement Description	Balance Dec. 31, 2009	Matured	Balance Dec. 31, 2010
98-04	Pleasant Valley Dam Rehabilitation	<u>\$ 1,161,278.73</u>	<u>\$ 119,000.78</u>	<u>\$ 1,042,277.95</u>
	<u>Ref.</u>	B		B

SCHEDULE OF PRINCIPAL PAYMENTS OUTSTANDING DECEMBER 31, 2010

Payment Number	Due Date	Interest	Principal	Balance of Loan
				\$ 1,042,277.95
15	1/14/11	\$ 10,422.79	\$ 60,394.37	981,883.58
16	7/14/11	9,818.84	60,998.32	920,885.26
17	1/14/12	9,208.85	61,608.30	859,276.96
18	7/14/12	8,592.77	62,224.39	797,052.57
19	1/14/13	7,970.53	62,846.63	734,205.94
20	7/14/13	7,342.06	63,475.10	670,730.84
21	1/14/14	6,707.32	64,109.84	606,621.00
22	7/14/14	6,066.21	64,750.95	541,870.05
23	1/14/15	5,418.70	65,398.45	476,471.60
24	7/14/15	4,764.72	66,052.44	410,419.16
25	1/14/16	4,104.19	66,712.96	343,706.20
26	7/14/16	3,437.06	67,380.09	276,326.11
27	1/14/17	2,763.26	68,053.89	208,272.22
28	7/14/17	2,082.72	68,734.43	139,537.79
29	1/14/18	1,395.38	69,421.78	70,116.01
30	7/14/18	701.16	70,116.01	-0-
		<u>\$ 90,796.56</u>	<u>\$ 1,042,277.95</u>	

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENT LIENS

<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance Dec 31, 2009</u>	<u>Redeemed</u>	<u>Transferred from Assessment Receivable</u>	<u>Balance Dec 31, 2010</u>	<u>Balance Pledged to Reserve</u>
Improvement to Various Streets	11/15/82	\$ 2,027.76			\$ 2,027.76	\$ 2,027.76
Improvement to Roads - Pleasant Valley Lakes and Tulip Road	09/22/82	7,654.83			7,654.83	7,654.83
Improvement to Various Streets - Lake Wanda	10/01/75	7,978.80			7,978.80	7,978.80
Pleasant Valley Lake Dam	10/02/06	<u>109,865.00</u>	<u>\$ 24,783.50</u>	<u>\$ 2,044.00</u>	<u>87,125.50</u>	<u>87,125.50</u>
		<u>\$ 127,526.39</u>	<u>\$ 24,783.50</u>	<u>\$ 2,044.00</u>	<u>\$ 104,786.89</u>	<u>\$ 104,786.89</u>
	<u>Ref.</u>	B			B	

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENT LIENS - INTEREST AND COSTS

	<u>Ref.</u>	
Balance at December 31, 2009	B	<u>\$ 3,159.67</u>
Balance at December 31, 2010	B	<u><u>\$ 3,159.67</u></u>

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF RESERVE FOR ASSESSMENTS AND LIENS

<u>Improvement Description</u>	<u>Balance Dec. 31, 2009</u>	<u>Collections to Fund Balance</u>	<u>Interest Paid by Budget Appropriation</u>	<u>Transfer To/(From)</u>	<u>Balance Dec. 31, 2010</u>
<u>Assessment Receivable:</u>					
Improvement of Pleasant Valley Lake Dam	\$ 120,500.32		\$ 22,633.53	\$ (2,044.00)	\$ 95,822.79
Silverdale Lane Road Improvement	0.02				0.02
Woodland Hills Drive, Red Oak Court, Babtown Road Improvements	37,000.26				37,000.26
	<u>157,500.60</u>		<u>22,633.53</u>	<u>(2,044.00)</u>	<u>132,823.07</u>
<u>Assessment Liens:</u>					
Improvement to Various Streets	2,027.76				2,027.76
Improvement to Roads - Pleasant Valley Lakes and Tulip Road	7,654.83				7,654.83
Improvement to Various Streets - Lake Wanda	7,978.80				7,978.80
Improvement to Pleasant Valley Lake Dam	109,865.00	\$ 24,783.50		2,044.00	87,125.50
	<u>127,526.39</u>	<u>24,783.50</u>		<u>2,044.00</u>	<u>104,786.89</u>
	<u>\$ 285,026.99</u>	<u>\$ 24,783.50</u>	<u>\$ 22,633.53</u>	<u>\$ -0-</u>	<u>\$ 237,609.96</u>

Ref.

B

B

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2010
GENERAL CAPITAL FUND

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2009	C	\$ 2,887,465.92
Increased by:		
Due from Current Fund:		
Prior Year Interfund Returned	\$ 163,534.80	
Capital Fund Balance:		
Premium on Bond Anticipation Notes	156,454.00	
Deposit on Sale of Bonds	<u>267,900.00</u>	
		<u>587,888.80</u>
		3,475,354.72
Decreased by:		
Due to Current Fund:		
2010 Anticipated Revenue from Fund Balance	236,000.00	
Improvement Authorization Expenditures	92,677.80	
Prior Year Encumbrances	105,815.57	
Reserve for Payment of Debt Service	<u>1,133,919.00</u>	
		<u>1,568,412.37</u>
Balance December 31, 2010	C	<u><u>\$ 1,906,942.35</u></u>

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
ANALYSIS OF GENERAL CAPITAL FUND CASH

	Balance (Deficit) Dec. 31, 2009	Receipts	Disbursements		Transfers		Balance (Deficit) Dec. 31, 2010
		Miscellaneous	Miscellaneous	Improvement Authorization Expenditures	From	To	
Fund Balance	\$ 239,298.32	\$ 156,454.00	\$ 236,000.00				\$ 159,752.32
Due from Current Fund	(163,534.80)	163,534.80					
State and Federal Grants Receivable	(92,114.38)					\$ 92,114.38	
Capital Improvement Fund	181,237.65						181,237.65
Encumbrances Payable	163,267.07		105,815.57		\$ 17,976.11	48,718.07	88,193.46
Reserve for Payment of Debt Service	1,134,331.66		1,133,919.00				412.66
Reserve for Capital Projects	407.50						407.50
Reserve for Deposit on Sale of Bonds		267,900.00					267,900.00
Ord. No.	Improvement Description						
02-07	Various Capital Improvements			\$ 2,613.75		2,613.75	
04-26	Various Capital Improvements	27.00			92,114.38	92,114.38	27.00
05-09	Improvements to Town Center	(500.00)					(500.00)
05-14	Various Capital Improvements	3,009.65		4,596.96		1,643.03	55.72
06-19	Various Capital Improvements	159,761.21		15,986.03	12,318.77		131,456.41
07-24	Impr. To Maple Grange Park			700.00		9,450.00	8,750.00
07-36	Various Capital Improvements	400,000.00		2,813.91		2,013.91	399,200.00
08-10	Various Capital Improvements	490,496.79		43,126.00	128,314.38		319,056.41
08-17	Various Capital Improvements	367,751.10		20,356.87	199.30	2,255.42	349,450.35
09-15	Repair and Maintenance of Township Roads	1,027.15					1,027.15
09-16	Drainage Improvements	3,000.00		2,484.28			515.72
	\$ 2,887,465.92	\$ 587,888.80	\$ 1,475,734.57	\$ 92,677.80	\$ 250,922.94	\$ 250,922.94	\$ 1,906,942.35

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord. No.	Improvement Description	Balance Dec. 31, 2009	Notes Paid by Budget Appropriation	Notes Paid by Reserve for Payment of Debt Service	Balance Dec. 31, 2010	Analysis of Balance December 31, 2010		
						Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
<u>General Improvements:</u>								
04-26	Various Capital Improvements	\$ 1,649,742.36	\$ 69,270.40	\$ 0.76	\$ 1,580,471.20	\$ 1,580,471.20		
05-09	Improvements to Town Center	3,301,935.06	131,344.83	10,690.33	3,159,899.90	3,159,399.90	\$ 500.00	
05-14	Various Capital Improvements	1,197,694.05	68,000.00	17,287.23	1,112,406.82	1,112,406.82		
05-31	Acquisition of Lands	423,000.00	5,500.00	11,026.50	406,473.50	406,473.50		
06-06	Provision of Affordable Housing	675,300.00	67,500.00	20,004.88	587,795.12	587,795.12		
06-19	Various Capital Improvements	2,912,783.84	128,500.00	708,648.51	2,075,635.33	2,075,635.33		
07-24	Impr. To Maple Grange Park	2,000,000.00	68,965.52	237,427.20	1,693,607.28	1,693,607.28		
07-36	Various Capital Improvements	1,632,900.00	54,141.25	128,833.59	1,449,925.16	1,449,925.16		
08-17	Various Capital Improvements	1,329,683.69			1,329,683.69	1,329,683.69		
		<u>\$ 15,123,039.00</u>	<u>\$ 593,222.00</u>	<u>\$ 1,133,919.00</u>	<u>\$ 13,395,898.00</u>	<u>\$ 13,395,398.00</u>	<u>\$ 500.00</u>	<u>\$ -0-</u>

Ref.

C

C

Analysis of Unexpended Improvement Authorizations:

Improvement Authorizations - Unfunded

\$ 888,912.48

Less: Unexpended Proceeds of Bond Anticipation Notes Issued:

Ord. #05-14	\$ 55.72
Ord. #06-19	131,456.41
Ord. #07-24	8,750.00
Ord. #07-36	399,200.00
Ord. #08-17	349,450.35

888,912.48\$ -0-

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		December 31, 2009		Transfer To/(From)	Paid or Charged	Prior Year Encumbrances Canceled	Improvement Authorizations Canceled	December 31, 2010	
		Date	Amount	Funded	Unfunded					Funded	Unfunded
General Improvements:											
02-07	Various Capital Improvements	04/29/02	\$ 3,374,000.00				\$ 2,613.75	\$ 2,613.75			
04-26	Various Capital Improvements	04/26/04	4,528,200.00	\$ 27.00		\$ 92,114.38			\$ 92,114.38	\$ 27.00	
05-14	Various Capital Improvements	05/09/05	1,900,000.00		\$ 3,009.65		4,596.96	1,643.03			\$ 55.72
06-19	Various Capital Improvements	06/26/06	4,100,000.00		159,761.21		28,304.80				131,456.41
07-24	Improvements to Maple Grange Park	05/24/07	2,100,000.00				700.00	9,450.00			8,750.00
07-36	Various Capital Improvements	08/13/07	1,864,579.00		400,000.00		2,813.91	2,013.91			399,200.00
08-10	Various Capital Improvements	06/12/08	889,537.31	490,496.79		(92,114.38)	79,326.00			319,056.41	
08-17	Various Capital Improvements	09/11/08	1,329,683.69		367,751.10		20,556.17	2,255.42			349,450.35
09-15	Repair and Maintenance of Township Roads	09/10/09	240,000.00	1,027.15						1,027.15	
09-16	Drainage Improvements	09/10/09	65,000.00	3,000.00			2,484.28			515.72	
				<u>\$ 494,550.94</u>	<u>\$ 930,521.96</u>	<u>\$ -0-</u>	<u>\$ 141,395.87</u>	<u>\$ 17,976.11</u>	<u>\$ 92,114.38</u>	<u>\$ 320,626.28</u>	<u>\$ 888,912.48</u>
<u>Ref.</u>				C	C						
							Cash Disbursed	\$ 92,677.80			
							Encumbrances	48,718.07			
								<u>\$ 141,395.87</u>			
Grant Receivable									<u>\$ 92,114.38</u>		
									<u>\$ 92,114.38</u>		

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2009	C	<u>\$ 181,237.65</u>
Balance December 31, 2010	C	<u><u>\$ 181,237.65</u></u>

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ord. No.	Improvement Description	Issue of Original Note	Date of		Interest Rate	Balance Dec. 31, 2009	Issued	Matured	Balance Dec. 31, 2010
			Issue	Maturity					
04-26	Various Capital Improvements	09/17/04	01/08/09 01/07/10	01/08/10 01/07/11	3.00% 2.00%	\$ 1,649,742.36	\$ 1,580,471.20	\$ 1,649,742.36	\$ 1,580,471.20
05-09	Improvements to Town Center	09/15/05	01/08/09 01/07/10	01/08/10 01/07/11	3.00% 2.00%	3,301,435.06	3,159,399.90	3,301,435.06	3,159,399.90
05-14	Various Capital Improvements	09/15/05	01/08/09 01/07/10	01/08/10 01/07/11	3.00% 2.00%	1,197,694.05	1,112,406.82	1,197,694.05	1,112,406.82
05-31	Acquisition of Lands	08/31/06	01/08/09 01/07/10	01/08/10 01/07/11	3.00% 2.00%	423,000.00	406,473.50	423,000.00	406,473.50
06-06	Provision of Affordable Housing	08/31/06	01/08/09 01/07/10	01/08/10 01/07/11	3.00% 2.00%	675,300.00	587,795.12	675,300.00	587,795.12
06-19	Various Capital Improvements	08/31/06	01/08/09 01/07/10	01/08/10 01/07/11	3.00% 2.00%	2,912,783.84	2,075,635.33	2,912,783.84	2,075,635.33
07-24	Improvements to Maple Grange Park	10/11/07	01/08/09 01/07/10	01/08/10 01/07/11	3.00% 2.00%	2,000,000.00	1,693,607.28	2,000,000.00	1,693,607.28
07-36	Various Capital Improvements	10/11/07	01/08/09 01/07/10	01/08/10 01/07/11	3.00% 2.00%	1,632,900.00	1,449,925.16	1,632,900.00	1,449,925.16
08-17	Various Capital Improvements	01/10/08	01/08/09 01/07/10	01/08/10 01/07/11	3.00% 2.00%	1,329,683.69	1,329,683.69	1,329,683.69	1,329,683.69
						<u>\$ 15,122,539.00</u>	<u>\$ 13,395,398.00</u>	<u>\$ 15,122,539.00</u>	<u>\$ 13,395,398.00</u>
						<u>Ref.</u>	<u>C</u>		<u>C</u>
							\$ 13,395,398.00	\$ 13,395,398.00	
								593,222.00	
								1,133,919.00	
							<u>\$ 13,395,398.00</u>	<u>\$ 15,122,539.00</u>	

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding Dec. 31, 2010		Interest Rate	Balance Dec. 31, 2009	Matured	Balance Dec. 31, 2010
			Date	Amount				
General Bonds of 2001	07/01/01	\$ 7,049,000.00	09/15/11	\$ 1,400,000.00	4.00%			
			09/15/12	624,000.00	4.00%	\$ 3,424,000.00	\$ 1,400,000.00	\$ 2,024,000.00
General Bonds of 2006	01/01/06	7,548,867.10	01/01/11	9,610.00	3.85%			
			01/01/12	192,200.00	3.85%			
			01/01/13	672,700.00	3.85%			
			01/01/14	720,750.00	3.85%			
			01/01/15	768,800.00	3.85%			
			01/01/16	864,900.00	3.85%			
			01/01/17	864,900.00	3.85%			
			01/01/18	864,900.00	3.85%			
			01/01/19	864,900.00	3.85%			
			01/01/20	864,900.00	3.85%			
			01/01/21	821,867.10	3.90%			
						<u>7,520,037.10</u>	<u>9,610.00</u>	<u>7,510,427.10</u>
						<u>\$10,944,037.10</u>	<u>\$ 1,409,610.00</u>	<u>\$ 9,534,427.10</u>
					<u>Ref.</u>	C		C

TOWN OF PHILLIPSBURG
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2009</u>	<u>Balance Dec. 31, 2010</u>
05-09	Improvement to Town Center	\$ 500.00	\$ 500.00
		<u>\$ 500.00</u>	<u>\$ 500.00</u>

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2010
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2010
SEWER UTILITY FUND

TOWNSHIP OF VERNON
SEWER UTILITY FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2009	E	\$ 98,606.75	\$ 450,867.86
Increased by Receipts:			
Contractor Contributions		\$ 61,250.00	
Nonbudget Revenue		<u>1,247.08</u>	
		62,497.08	
		161,103.83	<u>450,867.86</u>
Decreased by Disbursements:			
2010 Appropriation Expenditures		31,647.07	
Accrued Interest on Bonds		123,031.25	
Prior Year Encumbrances		<u> </u>	<u>\$ 937.04</u>
		154,678.32	<u>937.04</u>
Balance December 31, 2010	E	<u>\$ 6,425.51</u>	<u>\$ 449,930.82</u>

TOWNSHIP OF VERNON
SEWER UTILITY CAPITAL FUND
ANALYSIS OF SEWER UTILITY CAPITAL CASH

		<u>Balance</u>	<u>Disbursements</u>	<u>Transfers</u>		<u>Balance</u>
		<u>Dec. 31, 2009</u>	<u>Miscellaneous</u>	<u>From</u>	<u>To</u>	<u>Dec. 31, 2010</u>
Encumbrances Payable		\$ 10,937.04	\$ 937.04	\$ 10,000.00		
<u>Ord.</u>	<u>Improvement Authorizations</u>					
<u>No.</u>						
00-33	Wastewater Disposal Facility	439,930.82			\$ 10,000.00	\$ 449,930.82
		<u>\$ 450,867.86</u>	<u>\$ 937.04</u>	<u>\$ 10,000.00</u>	<u>\$ 10,000.00</u>	<u>\$ 449,930.82</u>

TOWNSHIP OF VERNON
SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

<u>Ord. No.</u>	<u>Ord. Date</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2009</u>	<u>Balance Dec. 31, 2010</u>
00-33	12/11/00	Improvement to Sanitary Sewer System	<u>\$ 3,000,000.00</u>	<u>\$ 3,000,000.00</u>
			<u>\$ 3,000,000.00</u>	<u>\$ 3,000,000.00</u>
		<u>Ref.</u>	E	E

TOWNSHIP OF VERNON
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2009 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2010

		Balance Dec. 31, 2009	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:					
Other Expenses		\$ 113.14	\$ 113.14		\$ 113.14
		<u>\$ 113.14</u>	<u>\$ 113.14</u>	<u>\$ -0-</u>	<u>\$ 113.14</u>
	<u>Ref.</u>				
<u>Analysis of Balance December 31, 2009</u>					
Unencumbered	E	\$ 113.14			
		<u>\$ 113.14</u>			

TOWNSHIP OF VERNON
SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2009	Prior Year Encumbrances	Balance Dec. 31, 2010
		Date	Amount	Funded	Canceled	Funded
00-33	Improvement to the Sanitary Sewer System	12/11/00	\$ 3,000,000.00	\$ 439,930.82	\$ 10,000.00	\$ 449,930.82
				<u>\$ 439,930.82</u>	<u>\$ 10,000.00</u>	<u>\$ 449,930.82</u>
				<u>Ref.</u>	E	E

TOWNSHIP OF VERNON
SEWER UTILITY CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance Dec. 31, 2009</u>	<u>Funded by Budget Appropriation</u>	<u>Balance Dec. 31, 2010</u>
00-33	Improvement to Sanitary Sewer System	12/11/00	\$ 175,000.00	\$ 25,000.00	\$ 200,000.00
			<u>\$ 175,000.00</u>	<u>\$ 25,000.00</u>	<u>\$ 200,000.00</u>
		<u>Ref.</u>	E		E

TOWNSHIP OF VERNON
SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding Dec. 31, 2010		Interest Rate	Balance	Matured	Balance
			Date	Amount		Dec. 31, 2009		Dec. 31, 2010
Improvement to Sanitary Sewage System	1/1/2008	\$ 2,850,000.00	1/1/10-16	\$ 25,000.00	4.250%			
			1/1/2017	50,000.00	4.250%			
			1/1/18-23	100,000.00	4.375%			
			1/1/24-28	200,000.00	4.375%			
			1/1/29-33	200,000.00	4.400%			
						<u>\$ 2,825,000.00</u>	<u>\$ 25,000.00</u>	<u>\$ 2,800,000.00</u>
						<u>\$ 2,825,000.00</u>	<u>\$ 25,000.00</u>	<u>\$ 2,800,000.00</u>
					<u>Ref.</u>	E		E

TOWNSHIP OF VERNON

PART II – SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2010

TOWNSHIP OF VERNON
SCHEDULE OF OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Name of Federal Agency or Department	C.F.D.A. Account No.	Name of Program	Grant Award Amount	Grant Period		Current Year Receipts	Current Year Expenditures	Cumulative Expenditures
				From	To			
<u>U.S. Department of Justice</u>								
(Passed thru State of NJ Department of Law and Public Safety)	16.607	Body Armor Fund	\$ 1,477.87	01/01/07	12/31/08	\$ 79.79		\$ 1,477.87
			3,309.14	01/01/08	12/31/10	2,619.70	\$ 985.96	3,185.82
			689.44	01/01/09	12/31/10	344.62		
Total Department of Justice			5,476.45			3,044.11	985.96	4,663.69
<u>U.S. Department of Transportation</u>								
(Passed thru State of NJ Department of Transportation)	20.605	Over the Limit Under Arrest - 2009 Year End Crackdown Grant	1,000.00	01/01/10	12/31/10	1,000.00	1,000.00	1,000.00
Total U.S. Department of Transportation			1,000.00			1,000.00	1,000.00	1,000.00
Total Federal Awards			\$ 6,476.45			\$ 4,044.11	\$ 1,985.96	\$ 5,663.69

TOWNSHIP OF VERNON
SCHEDULE OF OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2010

Name of State Agency or Department	Name of Program	Grant I.D. No.	Grant Award Amount	Grant Period		Current Year Receipts	Current Year Expenditures	Cumulative Expenditures	
				From	To				
<u>Department of Law and Public Safety</u>	Safe and Secure Communities	100-066-1020-232-6120	\$ 58,030.00	01/01/09	12/31/09	\$ 58,030.00		\$ 58,030.00	
			60,000.00	01/01/10	12/31/10	45,000.00	\$ 45,000.00	45,000.00	
			118,030.00			103,030.00	45,000.00	103,030.00	
	Body Armor Replacement Grant	1120-718-066-1020-001- YCJS-6120	3,655.40	01/01/07	12/31/10		1,898.00	3,655.40	
			3,204.26	01/01/08	12/31/10		3,204.26	3,204.26	
			1,281.37	01/01/09	12/31/09	1,281.37			
			2,865.41			2,865.41			
			11,006.44			4,146.78	5,102.26	6,859.66	
	Drunk Driving Enforcement Fund	100-078-6400-YYYY	13,786.89	01/01/07	12/31/10		220.00	13,006.35	
			17,289.03	01/01/09	12/31/10		7,037.21	15,216.92	
			8,948.10	01/01/10	12/31/10	8,948.10			
			40,024.02			8,948.10	7,257.21	28,223.27	
			169,060.46			116,124.88	57,359.47	138,112.93	
	Total Department of Law and Public Safety								
	<u>Department of Community Affairs</u>	Special Legislative Grant - Recreation Building	N/A	250,000.00	01/01/03	12/31/10		71,180.01	250,000.00
Recreation Opportunities for Ind. With Disabilities		100-022-8050-035-F157- 6120-001	10,000.00	01/01/09	12/31/10	2,000.00	6,000.00	10,000.00	
			10,000.00			2,000.00	6,000.00	10,000.00	
			260,000.00			2,000.00	77,180.01	260,000.00	
<u>Department of Environmental Protection</u>	Clean Communities Grant	765-042-4900-004-6020	31,945.84	01/01/08	12/31/10		9,378.63	31,945.84	
			41,020.28	01/01/09	12/31/10		13,898.40	13,898.40	
			42,713.98	01/01/10	12/31/10	42,713.98			
			115,680.10			42,713.98	23,277.03	45,844.24	
	Recycling Tonnage	752-042-4900-001-6020	8,169.97	01/01/07	12/31/10		3,696.67	8,169.97	
			9,301.73	01/01/08	12/31/10		9,301.73	9,301.73	
			12,415.78	01/01/09	12/31/10		12,416.00	12,416.00	
			29,887.48				25,414.40	29,887.70	
			145,567.58			42,713.98	48,691.43	75,731.94	
Total Department of Environmental Protection									

TOWNSHIP OF VERNON
SCHEDULE OF OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2010

Name of State Agency or Department	Name of Program	Grant I.D. No.	Grant Award Amount	Grant Period		Current Year Receipts	Current Year Expenditures	Cumulative Expenditures
				From	To			
<u>Department of Health and Senior Services</u>	Alcohol Education and Rehabilitation Enforcement	760-098-Y900-001-6020	\$ 603.28	01/01/10	12/31/10	\$ 603.28	\$ 603.28	\$ 603.28
Total Department of Health and Human Services			603.28			603.28	603.28	603.28
<u>Department of Treasury</u> (Passed through the County of Sussex)	Governor's Council on Alcoholism and Drug Abuse - Municipal Alliance	205-3063-402-0435	22,316.00	01/01/09	12/31/10	8,925.32	1,874.80	20,822.01
			20,467.00	01/01/10	12/31/10		20,322.50	20,322.50
Total Department of Treasury			42,783.00			8,925.32	22,197.30	41,144.51
<u>NJ Highlands Council</u>	Regional Master Plan Grant	N/A	16,156.63	01/01/09	12/31/10		16,156.63	16,156.63
	Highlands Master Plan Grant	N/A	9,314.80	01/01/10	12/31/10	9,314.80	9,314.80	9,314.80
Total NJ Highlands Council			25,471.43			9,314.80	25,471.43	25,471.43
<u>NJ Department of Health</u>	Hepatitis B Fund	4230-100-046-4781 -241-J2-3890	5,000.00	01/01/04	12/31/10		270.00	270.00
Total NJ Department of Health			5,000.00				270.00	270.00
<u>NJ Board of Public Utilities</u>	New Jersey Clean Energy Program	N/A	8,624.25	07/28/09	07/28/10	8,624.25	8,624.25	8,624.25
Total NJ Board of Public Utilities			8,624.25			8,624.25	8,624.25	8,624.25
Total State Aid			\$ 657,110.00			\$ 188,306.51	\$ 240,397.17	\$ 549,958.34

N/A - Not Available

TOWNSHIP OF VERNON
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2010

A. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards present the activity of all federal and state award programs of the Township of Vernon. The Township of Vernon is defined in Note 1 to the Township's financial statements. All federal and state financial awards received directly from federal and state agencies, as well as federal and state financial awards passed through other government agencies are included on the schedules of expenditures of federal and state awards.

B. BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of federal OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*.

C. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

D. THRESHOLD FOR FEDERAL AND STATE AWARDS

The threshold for distinguishing federal and state Type A and B programs was \$300,000.

F. NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION LOAN PAYABLE

At December 31, 2010, the Township has \$1,042,277.95 of New Jersey Environmental Protection Fund Loan Payable outstanding which is recorded in the Assessment Trust Fund.

Currently, the Township is in the process of repaying the loan balance. There were no loan receipts or expenditures in the current year. The Pleasant Valley Dam Rehabilitation project which relates to the loan is complete.



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and Members
of the Township Council
Township of Vernon
Vernon, New Jersey

We have audited the financial statements of the Township of Vernon, in the County of Sussex (the "Township") as of, and for the years ended, December 31, 2010 and 2009 and have issued our report thereon dated March 30, 2011, which indicated that the financial statements have been prepared on an other comprehensive basis of accounting and was qualified for the omission of the disclosure for the Township's postretirement benefit funding status as required by GASB No. 45 as of and for the year ended December 31, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2010-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable Mayor and Members
of the Township Council
Township of Vernon
Page 2

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to management in the Comments and Recommendations section of this report.

The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Township's response and we express no opinion on it.

This report is intended solely for the information and use of the Mayor, the Members of the Township Council, Management of the Township, and to meet the requirements for filing with the Division of Local Government Services, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mount Arlington, New Jersey
March 30, 2011


NISIVOCIA LLP


Francis J. Jones
Registered Municipal Accountant No. 442
Certified Public Accountant

TOWNSHIP OF VERNON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2010

Summary of Auditors' Results:

- An unqualified report was issued on the Township's financial statements for 2010 prepared on an other comprehensive basis of accounting.
- The audit did not disclose any material weaknesses in the internal controls of the Township.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the Township.
- The Township was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* for 2010 as grant expenditures were less than the single audit thresholds of \$500,000 identified in the circulars.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards, except as follows:

Finding 2010-1

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time. The various departments/offices of the Township are responsible for the issuance of permits and licenses; collection of taxes, utility charges and permit and license fees; and recording of collections. Also, the Senior Accounting Clerk disburses funds, handles cash receipts and maintains the general ledger. The Tax Collector, who maintains the ledger for the Redemption and Premium Trust Fund account, is also responsible maintaining the cash ledger and reconciling the two accounts. This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures. Accordingly, management and the Township Council should be aware of this situation, realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view and take appropriate action to improve the segregation of duties.

Management's Response:

The finding was evaluated and the appropriate reassignment of duties will continue to be implemented.

Findings and Questioned Costs for Federal Awards:

- Not applicable.

Findings and Questioned Costs for State Awards:

- Not applicable.

TOWNSHIP OF VERNON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

Prior year finding 2009-01 regarding the segregation of duties has not been completely resolved and is included in the current year audit report as finding 2010-01.

TOWNSHIP OF VERNON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2010

TOWNSHIP OF VERNON
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4

N.J.S.A. 40A:11-3 states:

- a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, C.198 (N.J.S.A. 40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, C.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, C.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S.A. 40A: 11-4 states: "Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder."

Effective July 1, 2010, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$26,000, and with a qualified purchasing agent the threshold may be up to \$36,000.

The governing body of the Township of Vernon has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Township Counsel's opinion should be sought before a commitment is made.

The minutes indicated that bids were requested by public advertising per N.J.S.A. 40A:11-4. The minutes also indicated that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services".

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

TOWNSHIP OF VERNON
COMMENTS AND RECOMMENDATIONS
(Continued)

Collection of Interest on Delinquent Taxes

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

On January 1, 2010, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes:

“WHEREAS, the Township of Vernon wishes to set forth procedures for the collection of taxes;

NOW, THEREFORE, BE IT ORDAINED by the Township Council of the Township of Vernon that the procedures are set forth as follows:

DELINQUENT TAX PAYMENTS

The below-stated charges shall be assessed against delinquent accounts:

Interest – 8% per annum on first \$1,500. 18% per annum on amounts in excess of \$1,500.

Penalties – Additional 6% on amounts in excess of \$10,000 as of December 31 current year.

Grace Period – A ten (10) day grace period shall be granted for the payment of current taxes.”

It appears from an examination of the Collector's records that interest was collected in accordance with the foregoing ordinance.

Delinquent Taxes and Tax Title Liens/Assessment Liens

The last tax sale was held on June 16, 2010, and was complete with respect to all items eligible for sale.

The following comparison is made of the number of tax title liens and assessment liens receivable on December 31, of the last three years.

<u>Year</u>	<u>Number of Liens</u>
2010	415
2009	372
2008	340

The Township has a significant amount of tax title liens and assessment liens outstanding as of December 31, 2010. These properties, generally, do not contribute revenue to the operations of the Township and instead act as a drain on Township resources. It is essential to good management that all means provided by statute be utilized to liquidate tax title liens and assessment liens in order to get such properties back on a taxpaying basis.

Management's Response

The Township will review its options under statute and take appropriate action to reduce the amount of municipal liens. The Township currently has two foreclosure proceedings, with an approximate 30 properties, in progress.

TOWNSHIP OF VERNON
COMMENTS AND RECOMMENDATIONS
(Continued)

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payments of 2011 Taxes	20
Payments of 2010 Taxes	20
Delinquent Taxes	20
Tax Title Liens	3
Assessment Liens	3

Current Fund Budget Appropriations

Salary and wages were directly charged to the "Salary and Wage Adjustment" budget line item in the 2010 Current Fund budget and the 2009 Current Fund appropriation reserve budget. Expenditures should not be directly charged to the "Salary and Wage Adjustment" budget line item. The appropriation should be transferred to the appropriate budget line item(s) for expenditure through a resolution approved by the governing body for a change in text or title. It is suggested that expenditures are not directly charged to the "Salary and Wage Adjustment" budget line item as doing so does not allow the readers of the financial statements to gain a complete understanding of the Township's budget operations.

The "Capital Leases – Principal" and "Capital Leases – Interest" budget line items were not segregated in the Township's accounting system as it was approved in the adopted budget. Since these amounts are not material to the Current Fund financial statements, a formal recommendation is not deemed necessary.

Other Trust Funds

Upon review of the Township's Budget Rider Report, it was noted that the Township does not have a dedication-by-rider for the Reserve for Stream Clean Signs and Reserve for Pleasant Valley Dam Rehabilitation in the Other Trust Fund. Use of trust funds without a state approved dedication by rider is a violation of state statute and should not be permitted. Although the Township has submitted applications to the State of New Jersey for the approval in the past, the State has not formally approved them yet. It is recommended that the Township continues to follow-up with the State to seek approval for the submitted applications for the dedication-by-riders for all applicable Trust Fund reserves from the State of New Jersey according to New Jersey Statute 40A:4-39.

Management's Response

The Township will continue to contact the state and obtain budget riders for all trust fund reserves as applicable.

Internal Controls

During the course of the audit, we noted that not all disbursements have a formal purchase order. Certain disbursements for the payment of monthly utilities from the Sewer Utility Operating Fund do not have a formal purchase order; only a "dummy" purchase order is created containing the appropriate signatures. It is recommended that all purchases follow the same requirements as all other Township purchases.

Management's Response

Every effort will be made in the future to ensure that all disbursements have a formal purchase order and follow the same requirements as all other Township purchases.

TOWNSHIP OF VERNON
COMMENTS AND RECOMMENDATIONS
(Continued)

Outside Offices

During our review of the Clerk's Office's records, we noted that the department does not maintain a detailed cash ledger that records all fees collected. The department issues prenumbered receipts, which are turned over to the Finance Office for deposit and posting into the general ledger. The Clerk's Office should maintain a separate detailed cash ledger, which is then reconciled with the general ledger maintained by the Finance Office on a monthly basis. It is recommended that a detailed cash ledger be maintained by the Clerk's Office and that all fees collected by the department be posted into the detailed cash ledger. It is also recommended that the cash ledger be reconciled to the general ledger maintained by the Finance Office on a monthly basis.

Management's Response

A detailed cash ledger will be maintained and reconciled with the general ledger.

During the course of the audit, we noted that not all receipts collected by the Police Department are turned over to the Finance Office for deposit in a timely manner. As required by New Jersey statute, all funds collected by the Township must be deposited within forty-eight hours of receipt. Although a definite improvement has been made, not all cash collected is turned over within forty-eight hours of receipt. It is recommended that all funds collected by the Police Department be turned over to the Finance Office within forty-eight hours and be deposited within forty-eight hours of receipt.

Management's Response

Funds collected will be turned over to the Finance Office within forty-eight hours of collection.

Municipal Court

A summary of Municipal Court transactions for the year 2010 is as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

	Balance Dec. 31, 2009	Receipts	Disbursements	Balance Dec. 31, 2010
State of New Jersey	\$ 5,501.54	\$ 63,582.71	\$ 65,359.95	\$ 3,724.30
County	3,231.50	43,631.75	45,577.50	1,285.75
Municipality		108,932.61	108,932.61	
Municipality - POAA		8.00	8.00	
Conditional Discharge	75.00	923.00	953.00	45.00
Public Defender	701.00	8,122.00	8,823.00	
Weights and Measures	2,150.00	6,300.00	8,300.00	150.00
Fish and Game	100.00	1,284.00	1,284.00	100.00
Forest & Parks		1,150.00	1,100.00	50.00
Restitution		2,759.96	2,604.96	155.00
Interest		49.08	49.08	
Miscellaneous	898.67		898.67	
	<u>\$ 12,657.71</u>	<u>\$ 236,743.11</u>	<u>\$ 243,890.77</u>	<u>\$ 5,510.05</u>

TOWNSHIP OF VERNON
COMMENTS AND RECOMMENDATIONS
(Continued)

Unallocated Funds

The Township closed its Public Assistance Trust Fund account in 2004 and transferred the balance of \$28,156.85 to the Current Fund. A Reserve for Public Assistance was established in 2004 for this amount. These funds are not currently being utilized by the Township but may be available as a resource upon investigation by the Township. Although the Township has been investigating this matter, no formal action has taken place. It is recommended that funds held in the Reserve for Public Assistance in the Current Fund be investigated and remitted to the proper entity.

Management's Response

Public Assistance funds will be investigated and remitted to the appropriate entity.

Grant Reserves

Although there are still a couple appropriated reserves in the grant fund which have been on the Township's records for several years, the Township has made a concerted effort to investigate and cancel a significant amount of older grant receivables and appropriated grant reserves balances in the current year. The Township is currently investigating these older appropriated reserves in the grant fund. Therefore, a formal recommendation is not deemed necessary.

Surety Bonds

During our review of the Township surety bond coverage for the Tax Collector, we noted that the Township did not have the statutory minimum required coverage for the Tax Collector. Required surety bond coverage for the Tax Collector is \$255,313.53. The actual surety bond coverage for the Tax Collector is \$230,000.00. It is recommended that the Township surety bond coverage for the Tax Collector be increased to satisfy the statutorily required minimum amount.

Management's Response

The Township will increase the surety bond coverage for the Tax Collector.

Status of Prior Year Recommendations

All recommendations except for recommendations 2, 5, 6 and 12 from the 2009 audit have not been resolved and are included in the 2010 audit report.

TOWNSHIP OF VERNON
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Adequate segregation of duties be maintained with respect to the recording and treasury functions.
2. All means provided by statute be utilized to liquidate tax title liens and assessment liens in order to get such properties back on a taxpaying basis.
3. The Township continues to follow-up with the State to seek approval for the submitted applications for the dedication-by-riders for all applicable Trust Fund reserves from the State of New Jersey according to New Jersey Statute 40A:4-39.
4. All purchases follow the same internal control requirements as all other Township purchases.
5. A detailed cash ledger be maintained by the Clerk's Office and that all fees collected by the department be posted into the detailed cash ledger. It is also recommended that the cash ledger be reconciled to the general ledger maintained by the Finance Office on a monthly basis.
6. All funds collected by the Police Department be turned over to the Finance Office within forty-eight hours and be deposited within forty-eight hours of receipt.
7. Funds held in the Reserve for Public Assistance in the Current Fund be investigated and remitted to the proper entity.
8. The Township surety bond coverage for the Tax Collector be increased to satisfy the statutorily required minimum amount.

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