

TOWNSHIP OF VERNON

COUNTY OF SUSSEX

REPORT OF AUDIT

2011

NISIVOC CIA LLP
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
REPORT OF AUDIT
2011

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TOWNSHIP OF VERNON

PART I

FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2011

Independent Auditors' Report

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

We have audited the financial statements – regulatory basis 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, 2011 and 2010, 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.

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.

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, 2011 and 2010, and the results of its operations for the years then ended.

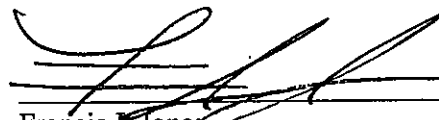
However, in our opinion, the financial statements – regulatory basis referred to above, present fairly, in all material respects, the financial position of the various funds of the Township at December 31, 2011 and 2010, and the results of operations and changes in fund balances, where applicable, of 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 May 24, 2012, 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 that collectively comprise the Borough's financial statements as a whole. The information included in the supplementary data 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. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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
May 24, 2012


NISIVOC CIA LLP


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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2011
CURRENT FUND

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE BALANCE SHEET

		December 31,	
	Ref.	2011	2010
<u>ASSETS</u>			
Regular Fund:			
Cash - Treasurer		\$ 5,791,229.51	\$ 4,964,702.94
Investment - Treasurer		200,000.00	
	A-4	5,991,229.51	4,964,702.94
Change Funds		775.00	775.00
Due from State of New Jersey:			
Senior Citizen and Veteran Deductions		56,643.62	58,044.41
		6,048,648.13	5,023,522.35
Receivables and Other Assets With			
Full Reserves:			
Delinquent Property Taxes Receivable	A-7	1,813,519.03	2,064,399.57
Tax Title Liens Receivable	A-8	3,027,512.11	3,256,582.63
Property Acquired for Taxes at Assessed			
Valuation		2,422,200.00	397,600.00
Internal Revenue Service Receivable		91,614.41	91,614.41
Ameripay Receivable		269,509.53	269,509.53
Due from:			
Assessment Trust Fund	B	36,531.48	
General Capital Fund	C	167,162.53	
Sewer Operating Fund	E	385,119.75	
Total Receivables and Other Assets			
With Full Reserves		8,213,168.84	6,079,706.14
Deferred Charges:			
Emergency Authorization		1,600.00	
Special Emergency Authorization		1,210,000.00	420,000.00
		1,211,600.00	420,000.00
Total Regular Fund		15,473,416.97	11,523,228.49
Federal and State Grant Fund:			
Federal and State Grants Receivable	A-10	160,421.23	35,811.82
Due from Current Fund	A	179,204.13	284,074.81
Due from General Capital Fund	C	150,000.00	
		489,625.36	319,886.63
<u>TOTAL ASSETS</u>		\$ 15,963,042.33	\$ 11,843,115.12

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE BALANCE SHEET
(Continued)

		December 31,	
	Ref.	2011	2010
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 538,416.29	\$ 980,935.44
Encumbered	A-3;A-11	557,691.30	891,866.20
Total Appropriation Reserves		1,096,107.59	1,872,801.64
Accounts Payable - Vendors			145,882.38
Accrued Payroll		303,011.04	
Other Encumbrances Payable		257,050.77	
Special Emergency Notes		1,210,000.00	420,000.00
Prepaid Taxes		335,435.01	347,297.87
Tax Overpayments		8,222.86	7,916.18
Due County for Added and Omitted Taxes		11,220.24	11,680.13
Due to:			
Federal and State Grant Fund	A	179,204.13	284,074.81
Assessment Trust Fund	B		150.17
Other Trust Funds	B	10,098.78	15,663.90
State of New Jersey:			
Marriage License Fees		500.00	425.00
Civil Union		50.00	25.00
Reserve for:			
Garden State Trust		105,963.00	105,963.00
Tax Appeals		645,000.00	325,000.00
Codification of Ordinances		11,690.23	11,690.23
Master Plan		3,422.64	3,422.64
Town Center Roadway			215,656.15
Revaluation		59,904.11	198,724.11
Public Assistance		28,156.85	28,156.85
Sale of Municipal Assets - Attorney Fees		200.00	1,060.00
Damages from Hurricane Irene and Tropical Storm Lee		911,138.61	
		5,176,375.86	3,995,590.06
Reserve for Receivables and Other Assets	A	8,213,168.84	6,079,706.14
Fund Balance	A-1	2,083,872.27	1,447,932.29
Total Regular Fund		15,473,416.97	11,523,228.49
Federal and State Grant Fund:			
Appropriated Reserves	A-13	228,947.89	268,632.64
Unappropriated Reserves	A-14	54,721.34	11,813.55
Reserve for Encumbrances		205,956.13	39,440.44
Total Federal and State Grant Fund		489,625.36	319,886.63
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		\$ 15,963,042.33	\$ 11,843,115.12

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,	
	Ref.	2011	2010
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 630,321.00	\$ 210,000.00
Miscellaneous Revenue Anticipated		4,156,936.51	4,077,440.55
Receipts from:			
Delinquent Taxes		2,058,052.90	2,146,373.64
Current Taxes		69,360,042.96	67,628,155.07
Nonbudget Revenue		409,001.81	220,393.22
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		543,840.16	552,809.00
Cancellation of Accounts Payable		6,135.00	8,707.58
Cancellation of Appropriated Grant Reserves		319.50	250,122.09
Cancellation of Unappropriated Grant Reserves			0.56
Prior Year Senior Citizens' Deductions Disallowed		250.00	
Interfunds and Other Receivables Returned			10,915.00
Total Income		<u>77,164,899.84</u>	<u>75,104,916.71</u>
<u>Expenditures</u>			
Budget Appropriations		20,772,402.13	19,702,978.03
County Taxes		12,961,546.84	12,884,474.07
Local School District Taxes		42,359,697.00	41,227,574.50
Reserve for Tax Appeals		200,000.00	200,000.00
Prior Year Taxes Applied to Prepaid Taxes		2,084.46	
Refund of Prior Year Taxes			33,271.97
Cancellation of Federal and State Grant Fund Receivables		319.50	300,183.71
Reestablish Cancelled Appropriated Grant Reserves		15,375.17	
Interfunds and Other Receivables Advanced		588,813.76	
Total Expenditures		<u>76,900,238.86</u>	<u>74,348,482.28</u>
Excess in Revenue		264,660.98	756,434.43
Adjustments before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year		<u>1,001,600.00</u>	
Statutory Excess to Fund Balance		1,266,260.98	756,434.43
<u>Fund Balance</u>			
Balance January 1		<u>1,447,932.29</u>	<u>901,497.86</u>
		2,714,193.27	1,657,932.29
Decreased by:			
Utilized as Anticipated Revenue		<u>630,321.00</u>	<u>210,000.00</u>
Balance December 31	A	\$ 2,083,872.27	\$ 1,447,932.29

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, 2011

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 630,321.00		\$ 630,321.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	6,000.00		9,545.11	\$ 3,545.11
Fees and Permits	128,000.00		133,369.84	5,369.84
Fines and Costs:				
Municipal Court	99,720.00		142,470.42	42,750.42
Interest and Costs on Taxes	65,000.00		399,026.86	334,026.86
Interest on Investments and Deposits	25,000.00		18,444.30	6,555.70 *
Consolidated Municipal Property Tax Relief Aid	62,360.00		62,360.00	
Energy Receipts Tax	1,799,888.00		1,799,888.00	
Watershed Moratorium Aid	294,455.00		294,455.00	
Garden State Trust Payment in Lieu of Taxes	105,963.00		105,963.00	
Uniform Construction Code Fees	300,000.00		405,023.00	105,023.00
Interlocal Service Agreement - 911 Communications:				
Township of Wantage	68,700.00		70,000.00	1,300.00
Borough of Sussex	16,300.00		25,057.00	8,757.00
Interlocal Service Agreement - Animal Control Services:				
Borough of Sussex	9,004.00			9,004.00 *
Recycling Tonnage Grant	10,354.20		10,354.20	
Drunk Driving Enforcement Fund - 2010	8,948.10		8,948.10	
Drunk Driving Enforcement Fund - 2011		\$ 5,163.63	5,163.63	
Municipal Alliance on Alcoholism and Drug Abuse	20,467.00		20,467.00	
Safe and Secure Communities Program (P.L.1994, Chapter 220)	53,818.00		53,818.00	
Body Armor Fund:				
State - 2010	2,865.41		2,865.41	
NJ Division of Highway Traffic Safety:				
Over the Limit Under Arrest:				
2011 Mobilization Grant		4,400.00	4,400.00	
NJ Highlands Water Protection & Planning Council:				
Highlands Plan Conformance Grant	21,947.73	565.00	22,512.73	
Recreational Opportunities for Individuals with Disabilities Grant:				
State Share		8,000.00	8,000.00	
N.J. Transportation Trust Fund Authority Act:				
Municipal Aid - Canistear Road - 2011		200,000.00	200,000.00	
COPS Secure Our Schools		79,946.00	79,946.00	
Uniform Fire Safety Act	23,000.00		31,652.93	8,652.93
Assessment Trust Surplus	10,000.00		10,000.00	
Lot Development Plan	4,736.70		2,250.00	2,486.70 *
Hotel Occupancy Fee (P.L.2003, c.114)	160,000.00		209,864.36	49,864.36
Interest on Pleasant Valley Lake Dam Loan	20,241.62		20,241.62	
Total Miscellaneous Revenue	3,316,768.76	298,074.63	4,156,086.51	541,243.12

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Receipts from Delinquent Taxes	\$ 2,000,000.00		\$ 2,058,052.90	\$ 58,052.90
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>16,310,069.45</u>		<u>16,815,390.27</u>	<u>505,320.82</u>
Budget Totals	22,257,159.21	\$ 298,074.63	23,660,700.68	<u>\$ 1,105,466.84</u>
Nonbudget Revenue			<u>409,001.81</u>	
	<u>\$ 22,257,159.21</u>	<u>\$ 298,074.63</u>	<u>\$ 24,069,702.49</u>	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2011
(Continued)

Allocation of Current Tax Collections

Collections		\$ 69,360,042.96
Allocated to:		
County Taxes	\$ 12,950,326.60	
Due to County for Added and Omitted Taxes	11,220.24	
School Taxes	<u>42,359,697.00</u>	
		<u>55,321,243.84</u>
		14,038,799.12
Add: Appropriation "Reserve for Uncollected Taxes"		<u>2,776,591.15</u>
Realized for Support of Municipal Budget		<u><u>\$ 16,815,390.27</u></u>
<u>Receipts from Delinquent Taxes:</u>		
Delinquent Tax Collections		\$ 2,035,511.27
Tax Title Liens Redeemed		<u>22,541.63</u>
		<u><u>\$ 2,058,052.90</u></u>
<u>Interest on Investments and Deposits:</u>		
Cash Received - Treasurer		\$ 16,868.02
Due from Other Trust Funds		435.56
Due from Assessment Trust Funds		134.34
Due from General Capital Fund		<u>1,006.38</u>
		<u><u>\$ 18,444.30</u></u>

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2011
(Continued)

Analysis of Nonbudget Revenue:

Treasurer:

Notary Fees	\$	44.00	
Auction of Township Property		106,225.16	
National Wildlife in Lieu of Tax		29,335.00	
Cable TV Franchise Fee		89,377.23	
Recycling Receipts		84,636.98	
Administrative Fee - Senior Citizens and Veterans Deductions		4,508.88	
Other Miscellaneous Receipts		4,975.58	
NJ DMV Inspection Fines		755.00	
Marriage Ceremony		400.00	
Restitution		75.39	
Prior Year Voided Checks		108.00	
County of Sussex Nutrition Site		2,400.00	
Return of Escrow Fund Balance		2,313.45	
Sale of Property Fees		3,340.00	
Taskforce		909.00	
Premium on Emergency Notes		1,500.00	
Workers' Compensation and Other Insurance Refunds		46,844.86	
Reimbursements/Refunds		9,760.97	
Geographic Information Systems		850.00	
			\$ 388,359.50

Due from Assessment Trust Fund:

Interest on Road Assessment Receivables	8,331.11
Interest on Pleasant Valley Dam Assessment Receivables	12,216.20

Collector:

Other Miscellaneous	945.00
	<u>\$ 409,851.81</u>

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, 2011

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
General Administration:					
Salaries and Wages	\$ 200,936.00	\$ 200,936.00	\$ 186,875.90	\$ 14,060.10	
Other Expenses	83,000.00	83,000.00	69,564.72	13,435.28	
Mayor and Council:					
Salaries and Wages	16,000.00	34,000.00	32,230.31	1,769.69	
Other Expenses	2,500.00	2,500.00	1,577.65	922.35	
Municipal Clerk:					
Salaries and Wages	134,488.00	134,488.00	118,754.28	15,733.72	
Other Expenses	97,177.00	61,177.00	52,786.62	8,390.38	
Financial Administration:					
Salaries and Wages	306,652.00	311,652.00	310,366.28	1,285.72	
Other Expenses	48,150.00	33,150.00	25,070.25	8,079.75	
Annual Audit	41,000.00	41,000.00		41,000.00	
Technology:					
Other Expenses	42,500.00	42,500.00	30,299.75	12,200.25	
Revenue Administration (Collection of Taxes):					
Salaries and Wages	161,334.00	161,334.00	158,058.63	3,275.37	
Other Expenses	43,720.00	38,720.00	27,614.62	11,105.38	
Tax Assessment Administration:					
Salaries and Wages	150,000.00	175,000.00	169,385.91	5,614.09	
Other Expenses	56,555.00	46,555.00	18,085.75	28,469.25	
Legal Services:					
Other Expenses	204,000.00	204,000.00	188,028.88	15,971.12	
Engineering Services:					
Other Expenses	40,500.00	40,500.00	36,728.94	3,771.06	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
GENERAL GOVERNMENT (Continued):					
Economic Development:					
Beautification Committee:					
Other Expenses	\$ 5,000.00	\$ 5,000.00	\$ 1,235.43	\$ 3,764.57	
Historical Preservation Commission:					
Other Expenses	2,500.00	2,500.00	1,712.75	787.25	
MUNICIPAL LAND USE LAW (N.J.S.A.40:55D-11):					
Land Use Board:					
Salaries and Wages	182,041.00	168,041.00	146,741.70	21,299.30	
Other Expenses	67,650.00	55,650.00	26,694.55	28,955.45	
INSURANCE:					
Liability Insurance	506,700.00	471,700.00	462,072.66	9,627.34	
Workers Compensation	320,000.00	330,000.00	329,198.12	801.88	
Employee Group Insurance (Health)	2,832,231.00	2,832,231.00	2,802,609.85	29,621.15	
Unemployment Insurance	80,000.00	80,000.00	80,000.00		
PUBLIC SAFETY FUNCTIONS:					
Police Department:					
Salaries and Wages	3,410,542.00	3,410,542.00	3,393,105.84	17,436.16	
Other Expenses	148,930.00	148,930.00	148,377.33	552.67	
Township Radio & Communications:					
Salaries and Wages	353,976.00	414,176.00	414,161.78	14.22	
Other Expenses	6,500.00	6,500.00	5,950.00	550.00	
Volunteer Emergency Services:					
Other Expenses	230,000.00	225,000.00	180,399.36	44,600.64	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operations Within "CAPS" (Continued):					
PUBLIC SAFETY FUNCTIONS (Continued):					
Uniform Fire Safety:					
Salaries and Wages	\$ 107,302.00	\$ 99,302.00	\$ 99,016.12	\$ 285.88	
Other Expenses	1.00	1.00		1.00	
Municipal Prosecutor:					
Other Expenses	27,000.00	27,000.00	19,500.00	7,500.00	
PUBLIC WORKS FUNCTIONS:					
Streets and Roads Maintenance:					
Salaries and Wages	1,182,210.00	1,164,210.00	1,133,187.76	31,022.24	
Other Expenses (N.J.S.A. 40A:4-53 + \$1,000,000)	337,800.00	1,337,800.00	1,314,354.60	23,445.40	
Recycling:					
Salaries and Wages	20,000.00	20,000.00	19,287.00	713.00	
Other Expenses	52,500.00	37,500.00	37,500.00		
Buildings and Grounds:					
Other Expenses	80,000.00	85,000.00	84,545.35	454.65	
Fleet Management:					
Salaries and Wages	245,493.00	250,493.00	245,492.78	5,000.22	
Other Expenses	230,500.00	230,500.00	220,075.52	10,424.48	
Municipal Services Act (Ch. 6, P.L. 1993):					
Other Expenses	600,000.00	600,000.00	599,999.98	0.02	
Environmental Commission (N.J.S.A.40:56A-1 etc.):					
Other Expenses	2,500.00	2,500.00	1,546.75	953.25	
Animal Control:					
Salaries and Wages	79,892.00	79,892.00	67,485.49	12,406.51	
Other Expenses	10,717.00	10,717.00	9,906.82	810.18	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
PARKS AND RECREATION FUNCTIONS:					
Recreation Services and Programs:					
Salaries and Wages	\$ 69,023.00	\$ 97,023.00	\$ 94,045.21	\$ 2,977.79	
Other Expenses	46,330.00	46,330.00	33,565.81	12,764.19	
Senior Citizens:					
Salaries and Wages	6,380.00	6,380.00	6,237.70	142.30	
Other Expenses	58,200.00	58,200.00	57,846.34	353.66	
Maintenance of Parks:					
Salaries and Wages	154,803.00	154,803.00	148,346.69	6,456.31	
Other Expenses	30,000.00	30,000.00	16,810.63	13,189.37	
OTHER COMMON OPERATING FUNCTIONS:					
Salary and Wage Adjustment	68,394.00	23,394.00		23,394.00	
Municipal Court:					
Salaries and Wages	165,822.00	171,822.00	170,557.81	1,264.19	
Other Expenses	5,050.00	6,050.00	5,746.00	304.00	
UNIFORM CONSTRUCTION CODE:					
Construction Code Official:					
Salaries and Wages	376,219.00	376,219.00	365,736.89	10,482.11	
Other Expenses	10,700.00	10,700.00	8,871.00	1,829.00	
UTILITY EXPENSES AND BULK PURCHASES:					
Utilities	502,746.00	502,746.00	475,679.96	27,066.04	
Total Operations Within "CAPS"	14,244,164.00	15,189,364.00	14,653,030.07	536,333.93	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operations Within "CAPS" (Continued):					
Detail:					
Salaries and Wages	\$ 7,391,507.00	\$ 7,453,707.00	\$ 7,279,074.08	\$ 174,632.92	
Other Expenses	6,852,657.00	7,735,657.00	7,373,955.99	361,701.01	
STATUTORY EXPENDITURES:					
Contributions to:					
Public Employees' Retirement System	419,275.00	419,275.00	419,275.00		
Social Security System (O.A.S.I.)	550,000.00	558,800.00	558,593.90	206.10	
Police and Firemen's Retirement System of NJ	825,634.00	825,634.00	825,634.00		
Defined Contribution Retirement Program	1,000.00	2,000.00	1,444.11	555.89	
Total Deferred Charges and Statutory					
Expenditures - Municipal Within "CAPS"	1,795,909.00	1,805,709.00	1,804,947.01	761.99	
Total General Appropriations for Municipal					
Purposes Within "CAPS"	16,040,073.00	16,995,073.00	16,457,977.08	537,095.92	
Operations Excluded from "CAPS":					
Employee Group Insurance (Health)	300,637.00	300,637.00	300,637.00		
Sussex County Municipal Utility Authority:					
Capital Improvement/Service Agreement	372,651.00	372,651.00	372,651.00		
Interlocal Municipal Service Agreements:					
911 Communication Service:					
Salaries and Wages	85,005.00	85,005.00	85,005.00		
Other Expenses	9,000.00	9,000.00	7,679.63	1,320.37	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS":					
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:					
2010	8,948.10	8,948.10	8,948.10		
2011 (N.J.S.A.40A:4-87 + \$5,163.63)		5,163.63	5,163.63		
Safe and Secure Communities Grant	53,818.00	53,818.00	53,818.00		
Recycling Tonnage Grant	10,354.20	10,354.20	10,354.20		
Body Armor Grant - State Share	2,865.41	2,865.41	2,865.41		
NJ Division of Highway Traffic Safety:					
Over the Limit Under Arrest - 2011 Mobilization					
Grant (N.J.S.A.40A:4-87 + \$4,400.00)		4,400.00	4,400.00		
NJ Highlands Water Protection & Planning Council:					
Highlands Plan Conformance Grant					
(N.J.S.A.40A:4-87 + \$565.00)	21,947.73	22,512.73	22,512.73		
Recreational Opportunities for Individuals with					
Disabilities Grant:					
State Share (N.J.S.A.40A:4-87 + \$8,000.00)		8,000.00	8,000.00		
Local Share (N.J.S.A. 40A:4-55 + \$1,600.00)		1,600.00	1,600.00		
New Jersey Department of Transportation:					
Canistear Road Improvements Grant					
(N.J.S.A.40A:4-87 + \$200,000.00)		200,000.00	200,000.00		
COPS Secure Our Schools					
(N.J.S.A.40A:4-87 + \$79,946.00)		79,946.00	79,946.00		
Total Operations Excluded from "CAPS"	885,693.44	1,185,368.07	1,184,047.70	1,320.37	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	Appropriations		Expended By		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
Operations Excluded from "CAPS" (Continued):					
Detail:					
Salaries and Wages	\$ 85,005.00	\$ 85,005.00	\$ 85,005.00		
Other Expenses	800,688.44	1,100,363.07	1,099,042.70	\$ 1,320.37	
Capital Improvements-Excluded from "CAPS":					
Capital Improvement Fund	250,000.00	295,000.00	295,000.00		
Total Capital Improvements Excluded from "CAPS"	250,000.00	295,000.00	295,000.00		
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Principal	1,409,610.00	1,409,610.00	1,409,610.00		
Interest on Bonds	382,112.00	382,112.00	382,111.50		\$ 0.50
Interest on Notes	269,748.00	269,748.00	269,747.94		0.06
Loan Repayments for Principal and Interest (PVL Dam)	20,241.62	20,241.62	20,241.62		
Interest on Emergency Notes	5,250.00	5,250.00	5,250.00		
Assessment Notes - General Capital Prinicipal	6,000.00	6,000.00			6,000.00
Interest on Assessment Notes	1,840.00	1,840.00			1,840.00
Total Municipal Debt Service Excluded from "CAPS"	2,094,801.62	2,094,801.62	2,086,961.06		7,840.56
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		

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Total General Appropriations Excluded from "CAPS"	\$ 3,440,495.06	\$ 3,785,169.69	\$ 3,776,008.76	\$ 1,320.37	\$ 7,840.56
Subtotal General Appropriations	19,480,568.06	20,780,242.69	20,233,985.84	538,416.29	7,840.56
Reserve for Uncollected Taxes	2,776,591.15	2,776,591.15	2,776,591.15		
Total General Appropriations	<u>\$ 22,257,159.21</u>	<u>\$ 23,556,833.84</u>	<u>\$ 23,010,576.99</u>	<u>\$ 538,416.29</u>	<u>\$ 7,840.56</u>

Ref.

A

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011
 (Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>
Adopted Budget		\$ 22,257,159.21	
Added by:			
N.J.S.A. 40A:4-87		298,074.63	
Special Emergency Authorization N.J.S.A. 40A: 4-53		1,000,000.00	
Emergency Appropriations N.J.S.A. 40A:4-55	A	1,600.00	
		<u>\$ 23,556,833.84</u>	
Cash Disbursed			\$ 18,134,886.72
Reserve for Uncollected Taxes			2,776,591.15
Encumbrances	A		557,691.30
Accrued Payroll			303,011.04
Reserve for Damages from Hurricane Irene and Tropical Storm Lee			1,000,000.00
Deferred Charges:			
Special Emergency Authorizations			210,000.00
Transfer to Appropriated Grant Reserves:			
Federal, State and Local Grants			416,475.07
Local Matching Funds			1,600.00
Due to General Capital Fund			45,000.00
			<u>23,445,255.28</u>
Less: Appropriation Refunds			<u>434,678.29</u>
			<u>\$ 23,010,576.99</u>

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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2011
TRUST FUNDS

TOWNSHIP OF VERNON
TRUST FUNDS
COMPARATIVE BALANCE SHEET

		December 31,	
	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>			
Assessment Trust Fund:			
Cash and Cash Equivalents	B-4	\$ 883,890.63	\$ 919,144.99
Due from Current Fund	A		150.17
Assessment Receivable	B-7	533,689.80	696,069.11
Assessment Liens	B-11	95,077.89	104,786.89
Assessment Liens Interest and Costs	B-12	3,159.67	3,159.67
		<u>1,515,817.99</u>	<u>1,723,310.83</u>
Animal Control Fund:			
Cash and Cash Equivalents	B-4	58,499.43	67,050.00
		<u>58,499.43</u>	<u>67,050.00</u>
Other Trust Funds:			
Cash and Cash Equivalents		1,940,410.11	1,676,427.91
Investments		15,000.00	15,000.00
	B-4	<u>1,955,410.11</u>	<u>1,691,427.91</u>
Due from Current Fund	A	10,098.78	15,663.90
		<u>1,965,508.89</u>	<u>1,707,091.81</u>
Open Space Trust Fund:			
Cash and Cash Equivalents	B-4	1,039,526.26	1,008,390.60
		<u>1,039,526.26</u>	<u>1,008,390.60</u>
<u>TOTAL ASSETS</u>		<u>\$ 4,579,352.57</u>	<u>\$ 4,505,843.24</u>
<u>LIABILITIES AND RESERVES</u>			
Assessment Trust Fund			
Due to Current Fund	A	\$ 36,531.48	
Serial Bonds Payable	B-9	305,182.90	\$ 305,572.90
New Jersey Department of Environmental Protection:			
Loan Payable	B-10	920,885.25	1,042,277.95
Bond Anticipation Notes Payable	B-8		92,000.00
Reserve for:			
Assessment Escrow		6,095.25	6,095.25
Assessments and Liens	B-13	204,848.84	237,609.96
Assessment Liens Interest and Costs		3,159.67	3,159.67
Fund Balance	B-1	39,114.60	36,595.10
		<u>1,515,817.99</u>	<u>1,723,310.83</u>
Animal Control Fund:			
Reserve for Animal Control Expenditures	B-6	58,499.43	67,050.00
		<u>58,499.43</u>	<u>67,050.00</u>

TOWNSHIP OF VERNON
TRUST FUNDS
COMPARATIVE BALANCE SHEET
(Continued)

	Ref.	December 31,	
		2011	2010
<u>LIABILITIES AND RESERVES</u>			
Other Trust Funds:			
Due to State of New Jersey:			
Building Surcharge		\$ 3,632.00	\$ 3,668.00
Reserve for:			
Developers Escrow Deposits Payable		60,819.00	56,819.00
Planning Board Application Deposits		181,078.09	190,665.29
Unemployment		98,777.52	60,067.17
Deposit for Redemption		10,563.70	10,561.19
Recreation		193,054.00	191,337.58
Parking Offense Adjudication Act		196.00	170.00
Premiums on Tax Sale		297,800.00	156,400.00
M.A.C. Donations		8,660.27	8,171.61
Fire Prevention Penalties		268,502.14	192,031.75
Stream Clear Signs		4,875.58	4,875.58
Public Defender Fees		16,936.50	15,052.50
Police Outside Services		15,661.80	4,106.39
Senior Citizens Center		7,317.27	6,092.27
Compensated Absences		208,185.50	208,185.50
Small Cities Housing		1,733.00	1,733.00
Council on Affordable Housing		236,731.13	230,635.97
Developers Bonds		328,939.18	294,731.03
Pleasant Valley Dam Rehabilitation		5,572.02	5,562.76
Unclaimed Properties		853.25	853.25
Net Payroll and Payroll Deductions		2,825.76	53,834.34
Animal Control Donations		12,795.18	11,537.63
		<u>1,965,508.89</u>	<u>1,707,091.81</u>
Open Space Trust Fund:			
Reserve for Open Space		1,039,526.26	1,008,390.60
		<u>1,039,526.26</u>	<u>1,008,390.60</u>
<u>TOTAL LIABILITIES AND RESERVES</u>		<u>\$ 4,579,352.57</u>	<u>\$ 4,505,843.24</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, 2010	B	\$ 36,595.10
Increased by:		
Assessment Lien Redemption		12,519.50
		<u>49,114.60</u>
Decreased by:		
Due to Current Fund:		
Anticipated Revenue		10,000.00
		<u>10,000.00</u>
Balance December 31, 2011	B	\$ <u>39,114.60</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, 2011

	<u>Budget Revenue</u>	<u>Realized</u>	<u>Excess/ Deficit*</u>
Assessment Cash	\$ 12,164.11	\$ 213,782.70	\$ 201,618.59
	<u>\$ 12,164.11</u>	<u>\$ 213,782.70</u>	<u>\$ 201,618.59</u>

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Paid or Charged</u>	<u>Unexpended Balance Canceled</u>
Payment of Bond/Loan Principal	\$ 390.00	\$ 121,782.70	\$ (121,392.70)
Payment of Bond Anticipation Notes Principal	11,774.11	92,000.00	(80,225.89)
	<u>\$ 12,164.11</u>	<u>\$ 213,782.70</u>	<u>\$ (201,618.59)</u>

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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2011
GENERAL CAPITAL FUND

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

		December 31,	
	<u>Ref.</u>	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>			
Cash and Cash Equivalents		\$ 2,849,373.56	\$ 1,906,942.35
Investments		1,000,000.00	
	C-2	<u>3,849,373.56</u>	<u>1,906,942.35</u>
Deferred Charges to Future Taxation:			
Funded		21,519,817.10	9,534,427.10
Unfunded	C-4	<u>9,458,898.00</u>	<u>13,395,898.00</u>
<u>TOTAL ASSETS</u>		<u>\$ 34,828,088.66</u>	<u>\$ 24,837,267.45</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 21,519,817.10	\$ 9,534,427.10
Bond Anticipation Notes Payable	C-7	2,983,000.00	13,395,398.00
Improvement Authorizations:			
Funded	C-5	1,064,704.65	320,626.28
Unfunded	C-5	8,073,924.27	888,912.48
Due to Current Fund	A	167,162.53	
Due to Federal and State Grant Fund	A	150,000.00	
Capital Improvement Fund	C-6	237.65	181,237.65
Reserve for:			
Encumbrances		707,680.38	88,193.46
Payment of Debt Service		412.66	412.66
Capital Projects		407.50	407.50
Deposit on Sale of Bonds			267,900.00
Fund Balance	C-1	<u>160,741.92</u>	<u>159,752.32</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 34,828,088.66</u>	<u>\$ 24,837,267.45</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, 2010	C	\$ 159,752.32
Increased by:		
Premium on Serial Bonds		<u>989.60</u>
Balance December 31, 2011	C	<u><u>\$ 160,741.92</u></u>

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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2011
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2011
SEWER UTILITY FUND

TOWNSHIP OF VERNON
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET

		December 31,	
	Ref.	2011	2010
<u>ASSETS</u>			
Operating Fund:			
Cash - Treasurer	E-4	\$ 68,405.07	\$ 6,425.51
		68,405.07	6,425.51
Due from Sewer Utility Capital Fund	E	508.26	
Due from Vernon MUA		419,059.97	
		487,973.30	6,425.51
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		487,973.30	192,734.04
Capital Fund:			
Cash and Cash Equivalents	E-4	450,439.08	449,930.82
Fixed Capital Authorized and Uncompleted	E-6	3,000,000.00	3,000,000.00
Total Capital Fund		3,450,439.08	3,449,930.82
<u>TOTAL ASSETS</u>		<u>\$ 3,938,412.38</u>	<u>\$ 3,642,664.86</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves:			
Unencumbered	E-3; E-7	\$ 2,499.38	\$ 119.56
Encumbered	E-3;E-7	383.24	552.12
Total Appropriation Reserves		2,882.62	671.68
Accrued Interest on Bonds		60,718.75	61,250.00
Due to Current Fund	A	385,119.75	
		448,721.12	61,921.68
Reserve for Receivables	E		94,100.00
Fund Balance	E-1	39,252.18	36,712.36
Total Operating Fund		487,973.30	192,734.04
Capital Fund:			
Serial Bonds Payable	E-10	2,775,000.00	2,800,000.00
Improvement Authorizations:			
Funded	E-8	449,930.82	449,930.82
Due to Sewer Utility Operating Fund	E	508.26	
Reserve for:			
Deferred Amortization	E-9	225,000.00	200,000.00
Total Capital Fund		3,450,439.08	3,449,930.82
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 3,938,412.38</u>	<u>\$ 3,642,664.86</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>2011</u>	<u>2010</u>
<u>Revenue and Other Income Realized</u>			
Contractor Contributions		\$ 154,287.50	\$ 61,250.00
Prior Year Amount due from Contractor		94,100.00	
Nonbudget Revenue		528.79	1,247.08
Other Credits to Income:			
Appropriation Reserves Lapsed		119.56	113.14
Total Income		<u>249,035.85</u>	<u>62,610.22</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating		7,500.00	6,968.75
Debt Service		146,437.50	147,500.00
Deferred Charges and Statutory Expenditures		92,558.53	350.00
Total Expenditures		<u>246,496.03</u>	<u>154,818.75</u>
Excess/(Deficit) in Revenue		2,539.82	(92,208.53)
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		2,539.82	
<u>Fund Balance</u>			
Balance January 1		<u>36,712.36</u>	<u>36,712.36</u>
Balance December 31	E	<u>\$ 39,252.18</u>	<u>\$ 36,712.36</u>

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

TOWNSHIP OF VERNON
SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2011

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess/Deficit*</u>
Contractor Contributions	\$ 153,027.28	\$ 154,287.50	\$ 1,260.22
Prior Year Amount due from Contractor - Paid in March 2011	94,000.00	94,100.00	100.00
	<u>247,027.28</u>	<u>248,387.50</u>	<u>1,360.22</u>
Nonbudget Revenue		528.79	528.79
	<u>\$ 247,027.28</u>	<u>\$ 248,916.29</u>	<u>\$ 1,889.01</u>

Analysis of Nonbudget Revenue

Treasurer:

Interest on Investments

\$ 20.53

Due from Sewer Utility Capital Fund:

Interest on Investments

508.26

\$ 528.79

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, 2011

	Appropriations		Expended by		Unexpended Balances Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$ 500.00	\$ 500.00		\$ 500.00	
Other Expenses	7,000.00	7,000.00	\$ 5,350.62	1,649.38	
Debt Service:					
Payment of Bond Principal	25,000.00	25,000.00	25,000.00		
Interest on Bonds	121,968.75	121,968.75	121,437.50		\$ 531.25
Deferred Charges and Statutory Expenditures:					
Deferred Charges:					
Deficit in Operations	92,208.53	92,208.53	92,208.53		
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>\$ 247,027.28</u>	<u>\$ 247,027.28</u>	<u>\$ 243,996.65</u>	<u>\$ 2,499.38</u>	<u>\$ 531.25</u>
<u>Ref.</u>			E		
Cash Disbursed			\$ 29,967.38		
Due to Current Fund:					
Interest on Bonds			60,718.75		
Accrued Interest on Serial Bonds Payable			60,718.75		
Deferred Charges - Deficit in Operations			92,208.53		
Encumbrances Payable			<u>383.24</u>		
			<u>\$ 243,996.65</u>		

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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2011
PUBLIC ASSISTANCE FUND

NOT APPLICABLE

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2011
BOND AND INTEREST FUND

NOT APPLICABLE

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2011
GENERAL FIXED ASSETS ACCOUNT GROUP

TOWNSHIP OF VERNON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET

	December 31,	
	<u>2011</u>	<u>2010</u>
<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	<u>10,844,418.73</u>	<u>10,917,961.31</u>
<u>TOTAL ASSETS</u>	<u>\$ 17,084,013.38</u>	<u>\$ 17,157,555.96</u>
 <u>RESERVES</u>		
Reserve for General Fixed Assets	<u>\$ 17,084,013.38</u>	<u>\$ 17,157,555.96</u>
<u>TOTAL RESERVES</u>	<u>\$ 17,084,013.38</u>	<u>\$ 17,157,555.96</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, 2011

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, 2011
(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, 2011
(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, 2011.

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, 2011
(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, 2011
(Continued)

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

Summary of Municipal Debt (Cont'd)

	December 31,		
	2011	2010	2009
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 24,502,817.10	\$ 22,929,825.10	\$ 26,066,576.10
Assessment Trust:			
Bonds, Loans and Notes	1,226,068.15	1,439,850.85	1,565,241.63
Sewer Utility:			
Bonds, Loans and Notes	2,775,000.00	2,800,000.00	2,825,000.00
Net Debt Issued	<u>28,503,885.25</u>	<u>27,169,675.95</u>	<u>30,456,817.73</u>
Less - Funds Temporarily Held to Pay			
Bonds, Notes and Loans:			
Reserve to Pay Debt Service -			
General	412.66	412.66	1,134,331.66
Assessment Trust Cash	802,149.30	876,604.81	882,410.85
Total Deductions	<u>802,561.96</u>	<u>877,017.47</u>	<u>2,016,742.51</u>
Net Issued	<u>27,701,323.29</u>	<u>26,292,658.48</u>	<u>28,440,075.22</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	6,475,898.00	500.00	500.00
Total Authorized but not Issued	<u>6,475,898.00</u>	<u>500.00</u>	<u>500.00</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 34,177,221.29</u>	<u>\$ 26,293,158.48</u>	<u>\$ 28,440,575.22</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 1.04%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 14,412,000.00	\$ 14,412,000.00	
General Debt	30,978,715.10	412.66	\$ 30,978,302.44
Assessment Trust Debt	1,226,068.15	802,149.30	423,918.85
Sewer Utility Debt	2,775,000.00	2,775,000.00	
	<u>\$ 49,391,783.25</u>	<u>\$ 17,989,561.96</u>	<u>\$ 31,402,221.29</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

Net Debt of \$31,402,221.29 divided by Equalized Valuation Basis Per N.J.S. 40A:2-2 as Amended, \$3,031,685,916.67 = 1.04%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 106,109,007.08
Net Debt	<u>31,402,221.29</u>
Remaining Borrowing Power	<u>\$ 74,706,785.79</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	\$ 248,916.29
Deductions:	
Operating and Maintenance Costs	\$ 100,058.53
Debt Service	<u>146,437.50</u>
	<u>246,496.03</u>
Excess in Revenue	<u>\$ 2,420.26</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 12/31/10	Additions	Retirements	Balance 12/31/11
Serial Bonds:				
General Capital Fund	\$ 9,534,427.10	\$13,395,000.00	\$ 1,409,610.00	\$21,519,817.10
Assessment Trust Fund	305,572.90		390.00	305,182.90
Sewer Utility Capital Fund	2,800,000.00		25,000.00	2,775,000.00
Loans Payable:				
Assessment Trust Fund:				
NJ DEP Loan	1,042,277.95		121,392.70	920,885.25
Bond Anticipation/Emergency Notes:				
Current Fund	420,000.00	1,210,000.00	420,000.00	1,210,000.00
General Capital Fund	13,395,398.00	2,983,000.00	13,395,398.00	2,983,000.00
Assessment Trust Fund	<u>92,000.00</u>		<u>92,000.00</u>	
Total	<u>\$27,589,675.95</u>	<u>\$17,588,000.00</u>	<u>\$15,463,790.70</u>	<u>\$29,713,885.25</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Prior Year

	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/10</u>
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>

Analysis of Debt Issued and Outstanding at December 31, 2011

General Capital Serial Bonds Payable

<u>Description</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
General Improvement Bonds of 2001	09/15/12	4.00%	\$ 624,000.00
General Improvement Bonds of 2006	01/01/21	3.85%-3.90%	7,500,817.10
General Bonds of 2011	01/01/26	3.00%-4.57%	13,395,000.00
			<u>\$ 21,519,817.10</u>

Assessment Trust Serial Bonds Payable

<u>Description</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
General Improvement Bonds of 2006	1/1/2021	3.85%-3.90%	<u>\$ 305,182.90</u>

Sewer Utility Capital Serial Bonds Payable

<u>Description</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Improvement to Sanitary Sewage System	1/1/2033	4.25%-4.40%	<u>\$ 2,775,000.00</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

Analysis of Debt Issued and Outstanding at December 31, 2011 (Cont'd)

Assessment Trust NJ DEP Loan Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Balance Dec. 31, 2011</u>
Pleasant Valley Dam Rehabilitation	7/14/2018	\$ 920,885.25

General Capital Bond Anticipation Notes Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>
Various Capital Improvements	05/24/12	1.60%	\$ 1,571,000.00
Various Emergency Services Purposes	05/24/12	1.25%	1,412,000.00
			<u>\$ 2,983,000.00</u>

Current Fund Special Emergency Notes Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>
Special Emergency	05/11/12	1.50%	\$ 210,000.00
Special Emergency	09/21/12	1.50%	1,000,000.00
			<u>\$ 1,210,000.00</u>
Total Debt Issued and Outstanding			<u>\$ 29,713,885.25</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.

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

At December 31, 2011, 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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

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
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	1,629,900.00	587,390.74	25,000.00	116,656.25
2017-2021	8,746,467.10	2,019,007.87	450,000.00	536,062.50
2021-2026	5,530,000.00	625,803.00	800,000.00	408,125.00
2027-2031			1,000,000.00	197,900.00
2032-2033			400,000.00	17,600.00
	<u>\$ 21,519,817.10</u>	<u>\$ 6,340,183.14</u>	<u>\$ 2,775,000.00</u>	<u>\$ 1,753,593.75</u>

Year	Assessment Trust		Total
	Principal	Interest	
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	169,193.05	14,953.51	2,543,093.55
2017-2021	450,858.99	23,743.65	12,226,140.11
2021-2026			7,363,928.00
2027-2031			1,197,900.00
2032-2033			417,600.00
	<u>\$ 1,226,068.15</u>	<u>\$ 135,866.28</u>	<u>\$ 32,135,028.42</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 finally mature on July 1, 2026.

Note 3: Fund Balances Appropriated

Fund balances at December 31, 2011, which are appropriated and included in the Current and Sewer Utility Operating Fund budgets for the year ending December 31, 2012, are as follows:

Current Fund	\$ 575,000.00
Sewer Utility Operating Fund	-0-

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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. Effective with the first payroll to be paid on or after October 1, 2011, the employee contributions for PERS went from 5.5% to 6.5% while the employee contributions for PFRS increased to 10.0% from 8.5% of employees' annual compensation, as defined. Employee contributions for DCRP are 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in the PERS and PFRS. 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.

Township contributions to PERS amounted to \$419,275.00, \$397,191.00 and \$215,407.50 for 2011, 2010 and 2009, respectively. Borough contributions to PFRS amounted to \$825,634.00, \$739,471.50 and \$357,639.50 for 2011, 2010 and 2009, respectively.

Township contributions to DCRP amounted to \$1,444.11, \$85.00 and \$997.92 for 2011, 2010 and 2009, respectively. Employee contributions to DCRP amounted to \$2,882.23, \$1,984.24 and \$1,704.78 for 2011, 2010 and 2009, respectively.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(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 \$648,554.15. 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, 2011.

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

	2011	2010	2009*
<u>Tax Rate</u>	\$ 2.614	\$ 2.505	\$ 2.407
<u>Apportionment of Tax Rate</u>			
Municipal	.595	.576	.547
County	.474	.460	.449
Local School	1.545	1.469	1.411
<u>Assessed Valuations</u>			
2011	\$ 2,740,822,752.00		
2010		\$ 2,804,903,031.00	
2009			\$ 2,812,118,145.00

* 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
2011	\$ 71,706,637.83	\$ 69,360,042.96	96.72%
2010	70,325,413.72	67,628,155.07	96.15%
2009	67,754,966.74	65,110,737.45	96.09%

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(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, 2011
(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, 2011, 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	\$ 5,665,459.00	\$ 125,770.51	\$ 200,000.00	\$ 5,992,004.51
Assessment Trust		821,739.67	62,150.96		883,890.63
Animal Control		58,499.43			58,499.43
Other Trust		1,716,941.23	223,468.88	15,000.00	1,955,410.11
Open Space Trust		962,173.37	77,352.89		1,039,526.26
General Capital		2,142,532.74	706,840.82	1,000,000.00	3,849,373.56
Sewer Utility:					
Operating		67,596.96	808.11		68,405.07
Capital		34,988.97	415,450.11		450,439.08
	<u>\$ 775.00</u>	<u>\$11,469,931.37</u>	<u>\$1,611,842.28</u>	<u>\$1,215,000.00</u>	<u>\$14,297,548.65</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

The Township has \$1,215,000.00 of investments in the form of certificates of deposits as of the year ended December 31, 2011. The carrying amount of the Township's cash and cash equivalents and investments at year end was \$14,297,548.65 and the bank balance was \$14,869,817.55. The \$1,611,842.28 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.

The December 31, 2011 audit report was not available as of the date of this report. Selected, summarized financial information for the Fund as of December 31, 2010 is as follows:

	Statewide Insurance Fund Dec. 31, 2010
Total Assets	\$ 29,629,912
Fund Equity/Retained Earnings	\$ 3,914,080
Total Revenue	\$ 18,303,632
Total Expenditures	\$ 18,555,310
Net Loss for the Year Ended December 31, 2010	\$ (251,678)
Net Assets Distribution to Participating Members	\$ -0-

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(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>
2011	\$ 80,000.00	\$ 15,599.48	\$ 127.64	\$ 57,016.77	\$ 98,777.52
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

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, 2011
(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, 2011
(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, 2011
(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 2011 and 2010, the Township had approximately 146 employees who met eligibility requirements and recognized expenses of approximately \$1,112,642.00 and \$841,521.34 in 2011 and 2010, respectively.

Annual OPEB Cost per Actuarial Valuation

The Township's annual OPEB cost (expense) and the ARC was \$899,632.00 and \$887,688.00 for 2011 and 2010, respectively. The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and 2010 are as follows:

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(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>
2011	\$ 759,790.00	\$ 899,632.00	84.46%	\$ 139,842.00
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, 2011 was as follows:

	<u>2011</u>	<u>2010</u>
Actuarial Accrued Liability (AAL)	\$ 20,774,453.00	\$ 20,416,140.00
Actuarial Value of Plan Assets	\$ -0-	\$ -0-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 20,774,453.00</u>	<u>\$ 20,416,140.00</u>
Funded Ratio (Actuarial Value of Plan Assets (AAL))	0.00%	0.00%
Covered Payroll (Active Plan Members as of December 31, 2011)	\$ 6,338,430.00	\$ 5,926,627.41
UAAL as a Percentage of Covered Payroll as of December 31, 2011	327.75%	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, 2011
(Continued)

Note 10: Post Retirement Benefits (Continued)

Actuarial Methods and Assumptions (Cont'd)

In the 2011 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, 2011.

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 is close to being resolved for approximately \$50,000. 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, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 589,114.68	\$ 189,603.83
Federal and State Grant Fund	329,204.13	
Assessment Trust Fund		36,531.48
Other Trusts Fund	10,399.70	300.92
General Capital Fund		317,162.53
Sewer Utility Operating Fund	508.26	385,119.75
Sewer Utility Capital		508.26
	<u>\$ 929,226.77</u>	<u>\$ 929,226.77</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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

The interfund receivable in the Federal and State Grant 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; and grant receipt collected by the General Capital Fund on behalf of the Federal and State Grant Fund. The interfund receivable in the Current Fund represents current year interest earned in the Other Trust Funds, the General Capital Fund and the Assessment Trust Fund; sewer expenses paid by the Current Fund on behalf of the Sewer Utility Operating Fund; as well as current year interest on assessment receivables from the Assessment Trust Fund. The interfund receivable in the Other Trust Funds is funds collected by the Current Fund on the Other Trust Funds' behalf and a prior year interfund. The interfund receivable in the Sewer Utility Operating Fund represents current year interest earned in the Sewer Utility Capital Fund that is due to the Sewer Utility Operating Fund at year end.

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, 2011 and 2010:

	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
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	10,917,961.31	\$ 640,042.73	\$ 713,585.31	10,844,418.73
	<u>\$ 17,157,555.96</u>	<u>\$ 640,042.73</u>	<u>\$ 713,585.31</u>	<u>\$ 17,084,013.38</u>
	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
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>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

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, 2011, the following deferred charges are shown on the balance sheets of the Current Fund and Sewer Utility Operating Fund:

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Required</u> <u>2012 Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Years' Budgets</u>
Current Fund:			
Special Emergency Authorizations (N.J.S.A. 40A:4-53)	\$ 1,210,000.00	\$ 410,000.00	\$ 800,000.00
Emergency Appropriations (N.J.S.A. 40A:4-55)	1,600.00	-0-	1,600.00

The appropriation in the 2012 budget was not less than that required by statute for the special emergency authorizations.

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, 2011

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

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>	<u>Name of Corporate or Personal Surety</u>
Victor Marotta	Mayor (from 7/1/11)		
Brian Lynch	Councilmember		
Patrick Rizzuto	Councilmember (from 7/1/11)		
Daniel Kadish	Councilmember (from 7/1/11)		
Edward Dunn	Councilmember (from 7/1/11)		
Richard Wetzel	Councilmember (from 7/1/11)		
Sally Rinker	Mayor (to 6/30/11)		
Harry Shortway	Deputy Mayor (to 6/30/11)		
Richard Carson	Councilmember (to 6/30/11)		
Valerie Seufert	Councilmember (to 6/30/11)		
Gerald J. Giaimis	Manager (to 6/30/11); Business Administrator (from 7/1/2011)		
Susan Nelson	Municipal Clerk		
Andrea Bates	Deputy Clerk		
Antoinette Izzo	Tax Collector	*	*
William Zuckermann	Chief Financial Officer	*	*
James Devine	Magistrate	*	*
Donna Zuidema	Court Administrator	*	*
Linda McDonnell	Deputy Court Administrator (to 8/1/11)	*	*
Lindsay Miller	Deputy Court Administrator (from 8/15/11)	*	*
Thomas Pinand	Construction Official		
Thomas Maellaro	Animal Control Officer		
Roy Wherry	Police Chief		
Courter, Robert & Cohen	Attorney (to 6/30/11)		
Kelly & Ward	Attorney (from 7/1/11)		
Alicia Ferrante	Prosecutor (to 6/30/11)		
Richard Pompelio	Prosecutor (from 7/1/11)		
Lynne Schweighardt	Tax Assessor (to 1/4/11 then rehired 7/25/11)		
Jack Marchione	Part-time Tax Assessor		
Patricia Seger	Director of Recreation (to 6/30/11)		
Melissa Wiedbrauk	Director of Recreation (from 7/1/11)		

* There is a blanket employees crime coverage of \$1,000,000 for employee theft and \$250,000 for forgery or alteration covering all municipal employees, including statutory positions, with the Fidelity and Deposit Company of Maryland through Statewide Insurance Fund.

TOWNSHIP OF VERNON
POST RETIREMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS

<u>Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2011	12/11	\$ -0-	\$ 20,774,453.00	\$ 20,774,453.00	0.00%	\$ 6,338,430.00	327.75%
2010	12/10	-0-	20,416,140.00	20,416,140.00	0.00%	5,926,627.41	344.48%

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2011
CURRENT FUND

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2010	A	\$ 4,964,702.94
Increased by Receipts:		
Tax Collector		\$ 71,586,184.81
Revenue Accounts Receivable		3,206,177.28
Due to State of N.J.:		
Veterans and Senior Citizens' Deductions		225,444.18
Marriage License		2,525.00
Civil Union		50.00
Nonbudget Revenue		388,359.50
2011 Appropriation Refunds		434,678.29
Interest on Investments and Deposits		16,868.02
Special Emergency Notes		1,210,000.00
Due to Federal and State Grant Fund:		
Federal and State Grants Receivable		129,732.65
Unappropriated Grant Reserves		54,721.30
Due to General Capital Fund:		
Improvement Authorization Refunds		4,500.00
Due from Other Trust Funds:		
Interfund Advanced - Fire Prevention Trust		694.21
Reserve for:		
Garden State Trust		105,963.00
Sale of Municipal Assets - Attorney Fees		450.00
		<hr/>
		77,366,348.24
		<hr/>
		82,331,051.18

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.

Decreased by Disbursements:

2011 Appropriation Expenditures	\$ 18,134,886.72
2010 Appropriation Reserves	1,328,961.48
Special Emergency Notes	420,000.00
Due to State of NJ:	
Marriage License	2,450.00
Civil Union	25.00
Due from Federal and State Grant Fund:	
Appropriated Grant Reserves	267,916.86
Prior Year Encumbrances	38,382.94
Due from General Capital Fund:	
Interfund Advanced	215,656.15
Due from Sewer Utility Operating Fund:	
Payment of SCMUA Expenses	324,401.00
Sewer Serial Bond Interest	60,718.75
Due to Assessment Trust Fund:	
Interfund Advanced	6,000.00
Due to Other Trust Funds:	
Settlement of Prior Year Interfund	5,808.77
Interfund Advanced - Recreation Trust	15.00
Local School District Taxes	42,359,697.00
County Taxes	12,962,006.73
Accounts Payable	139,747.38
Refund of Tax Overpayments	5,551.12
Reserve for:	
Revaluation	18,820.00
Sale of Municipal Assets - Attorney Fees	1,310.00
Damages from Hurricane Irene and Tropic Storm Lee	47,466.77

\$ 76,339,821.67

Balance December 31, 2011

A

\$ 5,991,229.51

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2011

Increased by Receipts:

Taxes Receivable	\$ 70,824,462.97	
Tax Title Liens Redemption	22,541.63	
2012 Prepaid Taxes	333,350.55	
Interest and Costs on Taxes	399,026.86	
Miscellaneous Revenue Not Anticipated	945.00	
Tax Overpayments	<u>5,857.80</u>	
		\$ 71,586,184.81

Decreased by:

Payments to Treasurer		<u>\$ 71,586,184.81</u>
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TOWNSHIP OF VERNON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF CASH
YEAR ENDED DECEMBER 31, 2011

NOT APPLICABLE

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

Year	Balance	2011 Levy	Collections		Overpayments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance
	Dec. 31, 2010		2010	2011				Dec. 31, 2011	
2008	\$ 2,794.71			\$ 1,592.95					\$ 1,201.76
2009	339.08			83.94	\$ (2,084.46)		\$ 2,339.60		
2010	2,061,265.78			2,033,834.38		\$ 250.00	6,768.54	\$ 14,358.21	6,054.65
	2,064,399.57			2,035,511.27	(2,084.46)	250.00	9,108.14	14,358.21	7,256.41
2011		\$ 71,706,637.83	\$ 347,297.87	68,788,951.70		223,793.39	154,858.79	385,473.46	1,806,262.62
	\$ 2,064,399.57	\$ 71,706,637.83	\$ 347,297.87	\$ 70,824,462.97	\$ (2,084.46)	\$ 224,043.39	\$ 163,966.93	\$ 399,831.67	\$ 1,813,519.03

Ref.

A

A

Analysis of 2011 Property Tax Levy:

Tax Yield:

General Purpose Tax	\$ 71,645,105.96
Added Taxes (54:4-63.1 et seq.)	61,531.87

\$ 71,706,637.83

Tax Levy:

Local School District Taxes	\$ 42,359,697.00
-----------------------------	------------------

County Taxes:

General Taxes	\$ 12,950,326.60
Due County for Added and Omitted Taxes	11,220.24

12,961,546.84

Local Tax for Municipal Purposes	16,310,069.45
Additional Taxes Levied	75,324.54

16,385,393.99

\$ 71,706,637.83

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2010	A	\$ 3,256,582.63
Increased by:		
Transfer from Taxes Receivable	\$ 399,831.67	
Interest and Costs on Tax Sale	<u>2,191.04</u>	
		<u>402,022.71</u>
		3,658,605.34
Decreased by:		
Tax Title Lien Redeemed	22,541.63	
Cancelled - Foreclosure	<u>608,551.60</u>	
		<u>631,093.23</u>
Balance December 31, 2011	A	<u>\$ 3,027,512.11</u>

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2011

	<u>Accrued In</u> 2011	<u>Collected by</u> Treasurer
Alcoholic Beverages Licenses	\$ 9,545.11	\$ 9,545.11
Fees and Permits	133,369.84	133,369.84
Municipal Court:		
Fines and Costs	142,470.42	142,470.42
Consolidated Municipal Property Tax Relief Aid	62,360.00	62,360.00
Energy Receipts Taxes	1,799,888.00	1,799,888.00
Watershed Moratorium Aid	294,455.00	294,455.00
Uniform Construction Code Fees	405,023.00	405,023.00
Interlocal Service Agreement - 911 Communications:		
Township of Wantage	70,000.00	70,000.00
Borough of Sussex	25,057.00	25,057.00
Uniform Fire Safety Act	31,652.93	31,652.93
Lot Development Plan	2,250.00	2,250.00
Hotel Occupancy Fee	209,864.36	209,864.36
Interest on Pleasant Valley Lake Dam Loan	20,241.62	20,241.62
	<u>\$ 3,185,935.66</u>	<u>\$ 3,206,177.28</u>

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

	Balance Dec. 31, 2010	Budget Revenue Realized	Received	Transferred From Unappropriated Reserves	Cancelled	Balance Dec. 31, 2011
Municipal Alliance on Alcoholism and Drug Abuse:						
2010	\$ 20,467.00		\$ 20,322.50		\$ 144.50	
2011		\$ 20,467.00	11,733.59			\$ 8,733.41
Body Armor Replacement Grant:						
Federal - 2009	344.82					344.82
State - 2010		2,865.41		\$ 2,865.41		
Recycling Tonnage Grant - 2010		10,354.20	10,354.20			
Drunk Driving Enforcement Fund:						
2010		8,948.10		8,948.10		
2011		5,163.63	5,163.63			
Safe and Secure Communities Program:						
2010	15,000.00		15,000.00			
2011		53,818.00				53,818.00
NJ Division of Highway Traffic Safety:						
Over the Limit Under Arrest -						
2011 Mobilization Grant		4,400.00	4,225.00		175.00	
NJ Highlands Water Protection & Planning Council:						
Highlands Plan Conformance Grant		22,512.73	22,512.73			
Recreational Opportunities for Individuals with						
Disabilities Grant - 2011		8,000.00				8,000.00
N.J. Transportation Trust Fund Authority Act:						
Municipal Aid - Canistear Road - 2011		200,000.00	150,000.00			50,000.00
COPS Secure Our Schools - 2010		79,946.00	40,421.00			39,525.00
	<u>\$ 35,811.82</u>	<u>\$ 416,475.07</u>	<u>\$ 279,732.65</u>	<u>\$ 11,813.51</u>	<u>\$ 319.50</u>	<u>\$ 160,421.23</u>

Ref.

A

A

Cash Receipts

Due from General Capital Fund

\$ 129,732.65

150,000.00

\$ 279,732.65

Federal Grants

State Grants

\$ 194,646.00

85,086.65

\$ 279,732.65

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2011

	Balance Dec. 31, 2010	Balance After Modification	Paid or Charged	Balance Lapsed
GENERAL GOVERNMENT:				
Administrative & Executive:				
Salaries and Wages	\$ 7,561.36	\$ 7,561.36	\$ 7,497.51	\$ 63.85
Other Expenses	19,935.23	19,935.23	5,339.41	14,595.82
Human Resources:				
Salaries and Wages	10.83	10.83		10.83
Other Expenses	5,470.12	5,470.12	55.00	5,415.12
Mayor and Council:				
Salaries and Wages	731.13	731.13		731.13
Other Expenses	2,031.21	2,031.21	30.00	2,001.21
Township Clerk:				
Salaries and Wages	3,810.19	3,810.19	3,412.31	397.88
Other Expenses	21,232.57	6,232.57	1,734.11	4,498.46
Financial Administration:				
Salaries and Wages	16,087.71	16,087.71	12,986.61	3,101.10
Other Expenses	13,159.49	13,159.49	3,930.75	9,228.74
Annual Audit	41,000.00	41,000.00	40,215.00	785.00
Technology:				
Other Expenses	14,331.46	14,331.46	4,181.53	10,149.93
Revenue Administration:				
Salaries and Wages	6,837.20	6,837.20	5,858.03	979.17
Other Expenses	15,569.00	15,569.00	1,062.68	14,506.32
Tax Assessment Administration:				
Salaries and Wages	5,386.02	5,386.02	5,282.85	103.17
Other Expenses	23,319.73	13,319.73	4,433.28	8,886.45
Legal Services:				
Salaries and Wages		145,841.79		145,841.79
Other Expenses	40,829.32	40,829.32	40,167.45	661.87
Engineering Services:				
Salaries and Wages	1,686.86	1,686.86	831.37	855.49
Other Expenses	3,611.11	3,611.11	337.50	3,273.61
Economic Development:				
Other Expenses	700.00	700.00		700.00
Beautification Committee:				
Other Expenses	4,900.00	4,900.00		4,900.00
Historic Preservation:				
Other Expenses	2,122.00	2,122.00	1,238.00	884.00
LAND USE ADMINISTRATION:				
Land Use Board:				
Salaries and Wages	4,066.38	4,066.38	3,311.06	755.32
Other Expenses	38,878.52	38,878.52	9,431.56	29,446.96

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	Balance Dec. 31, 2010	Balance After Modification	Paid or Charged	Balance Lapsed
INSURANCE:				
General Liability	\$ 5,899.02	\$ 5,899.02	\$ 1,070.76	\$ 4,828.26
Workers Compensation Insurance	2,146.05	2,146.05		2,146.05
Employees Group Insurance (Health)	61,683.58	30,841.79	4,959.58	25,882.21
PUBLIC SAFETY FUNCTIONS:				
Police Department:				
Salaries and Wages	139,753.55	129,753.55	125,318.52	4,435.03
Other Expenses	66,981.91	66,981.91	55,229.30	11,752.61
Township Radio and Communications:				
Salaries and Wages	25,825.42	15,825.42	14,875.00	950.42
Other Expenses	350.00	350.00		350.00
Volunteer Emergency Services:				
Other Expenses	91,188.63	91,188.63	90,183.50	1,005.13
Uniform Fire Safety Act:				
Salaries and Wages	4,886.99	4,886.99	4,043.48	843.51
Other Expenses	432.57	432.57	431.57	1.00
Municipal Prosecutor				
Other Expenses	8,000.00	8,000.00		8,000.00
PUBLIC WORKS FUNCTIONS:				
Streets and Roads Maintenance:				
Salaries and Wages	98,000.22	98,000.22	62,410.55	35,589.67
Other Expenses	111,420.07	91,420.07	16,840.07	74,580.00
Recycling				
Other Expenses	18,250.00	13,250.00	7,250.00	6,000.00
Buildings and Grounds:				
Other Expenses	28,203.30	23,203.30	7,565.59	15,637.71
Fleet Management:				
Salaries and Wages	10,362.67	10,362.67	9,014.45	1,348.22
Other Expenses	94,445.04	84,445.04	66,744.94	17,700.10
Municipal Services Act:				
Other Expenses	596,469.00	596,469.00	596,469.00	
HEALTH AND HUMAN SERVICES FUNCTIONS:				
Environmental Commission:				
Other Expenses	1,660.00	1,660.00	97.50	1,562.50
Animal Control Services:				
Salaries and Wages	6,330.21	6,330.21	5,463.90	866.31
Other Expenses	3,554.27	3,554.27	2,587.87	966.40
PARKS AND RECREATION FUNCTIONS:				
Recreation Services and Programs:				
Salaries and Wages	3,578.41	3,578.41	2,535.58	1,042.83
Other Expenses	12,873.52	12,873.52	5,460.71	7,412.81

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Balance</u> <u>Dec. 31, 2010</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:				
Senior Citizens:				
Salaries and Wages	\$ 994.95	\$ 994.95	\$ 207.70	\$ 787.25
Other Expenses	3,059.10	3,059.10	125.00	2,934.10
Maintenance of Parks:				
Salaries and Wages	5,110.09	5,110.09	5,084.34	25.75
Other Expenses	12,289.44	7,289.44	2,262.58	5,026.86
OTHER COMMON OPERATING FUNCTIONS:				
Salary and Wage Adjustment	339.00	339.00		339.00
Municipal Court:				
Salaries and Wages	6,375.84	6,375.84	5,918.55	457.29
Other Expenses	3,541.49	3,541.49	569.65	2,971.84
Construction Code Official:				
Salaries and Wages	12,809.60	12,809.60	12,186.32	623.28
Other Expenses	8,091.07	8,091.07	1,176.21	6,914.86
UTILITY EXPENSES AND BULK PURCHASES:				
Utilities	86,685.46	61,685.46	43,503.19	18,182.27
Sussex County Municipal Utilities Authority	6,008.24	6,008.24		6,008.24
STATUTORY EXPENDITURES:				
Public Employees Retirement System	150.00	150.00		150.00
Social Security System (O.A.S.I)	32,504.70	32,504.70	21,981.30	10,523.40
Defined Contribution Retirement System	1,960.00	1,960.00		1,960.00
Interlocal Municipal Service Agreements:				
911 Communications - Service:				
Salaries and Wages	2,543.18	2,543.18	2,543.18	
Other Expenses	4,777.61	4,777.61	3,515.58	1,262.03
	<u>\$ 1,872,801.64</u>	<u>\$ 1,872,801.64</u>	<u>\$ 1,328,961.48</u>	<u>\$ 543,840.16</u>

Ref.

Analysis of Balance on December 31, 2010:

Unencumbered	A	\$ 980,935.44
Encumbered	A	891,866.20
		<u>\$ 1,872,801.64</u>

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2011

Increased by:

2011 School Tax Levy

\$ 42,359,697.00

Decreased by:

Payments to Local School District

\$ 42,359,697.00

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

	Balance Dec. 31, 2010	Transferred from Budget Appropriations	Expended	Encumbrances Payable	Prior Year Encumbrances Cancelled	Cancelled	Balance Dec. 31, 2011
Clean Communities Program:							
2009	\$ 27,121.84		\$ 23,145.64	\$ 3,976.20			
2010	42,713.98			67.43			\$ 42,646.55
Drunk Driving Enforcement Fund:							
2007						\$ (780.00)	780.00
2009	2,071.80		2,071.80				
2010		\$ 8,948.10	3,641.50	1,912.50			3,394.10
2011		5,163.63					5,163.63
Body Armor Replacement Grant:							
2008 - Federal	123.32		123.32				
2009 - Federal	689.44		689.44				
2009 - State	1,281.37		1,281.37				
2010 - State		2,865.41	2,865.40				0.01
Recreational Opportunities for Individuals with Disabilities:							
2011 - State		8,000.00					8,000.00
2011 - Local		1,600.00					1,600.00
Special Legislative Grant - 2003:							
Wastewater Management	178,770.08		150,000.00				28,770.08
Recreation Building					\$ 1,057.50		1,057.50
Pandemic Flu - 2007						(5,562.00)	5,562.00
Hepatitis B Fund:							
2000 - Local						(4,186.00)	4,186.00
2004 - State						(4,730.00)	4,730.00
Recycling Tonnage Grant:							
2010		10,354.20					10,354.20
Municipal Alliance on Alcoholism and Drug Abuse:							
2008	713.66		713.66				
2010	144.50					144.50	
2011		20,467.00	20,451.00				16.00
Safe and Secure Communities Grant:							
2010	15,000.00						15,000.00
2011		53,818.00					53,818.00
Accident Reconstruction Unit Equipment - 2007						(117.17)	117.17
NJ Division of Highway Traffic Safety:							
Over the Limit Under Arrest - 2011 Mobilization Grant		4,400.00				175.00	4,225.00

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

	Balance Dec. 31, 2010	Transferred from Budget Appropriations	Expended	Encumbrances Payable	Prior Year Encumbrances Cancelled	Cancelled	Balance Dec. 31, 2011
NJ Highlands Water Protection & Planning Council:							
Highlands Plan Conformance Grant		\$ 22,512.73	\$ 22,512.73				
State Farm Mutual Automobile Insurance Co:							
Child Safety Seat Check Events Grants	\$ 2.65						\$ 2.65
N.J. Transportation Trust Fund Authority Act:							
Municipal Aid - Canistear Road - 2011		200,000.00		\$ 200,000.00			
COPS Secure Our Schools - 2010		79,946.00	40,421.00				39,525.00
	<u>\$ 268,632.64</u>	<u>\$ 418,075.07</u>	<u>\$ 267,916.86</u>	<u>\$ 205,956.13</u>	<u>\$ 1,057.50</u>	<u>\$ (15,055.67)</u>	<u>\$ 228,947.89</u>
	A						A
Federal/State Grants		\$ 416,475.07					
Local Matching Funds		1,600.00					
		<u>\$ 416,475.07</u>					
Federal Grants			\$ 41,233.76	\$ 200,000.00			
State Grants			226,683.10	5,956.13	\$ 1,057.50		
			<u>\$ 267,916.86</u>	<u>\$ 205,956.13</u>	<u>\$ 1,057.50</u>		
Cancellation of Appropriated Grant Reserves						\$ 319.50	
Reestablish Cancelled Appropriated Grant Reserves						<u>(15,375.17)</u>	
						<u>\$ (15,055.67)</u>	

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

	Balance Dec. 31, 2010	Grant Funds Received	Transferred to 2011 Budget Revenue	Balance Dec. 31, 2011
Drunk Driving Enforcement Fund:				
2010	\$ 8,948.10		\$ 8,948.10	
Body Armor Replacement Grant:				
2010	2,865.41		2,865.41	
2011		\$ 2,971.02		\$ 2,971.02
Clean Communities Grant:				
2009	0.04			0.04
2011		42,622.13		42,622.13
Recycling Tonnage Grant:				
2011		9,128.15		9,128.15
	<u>\$ 11,813.55</u>	<u>\$ 54,721.30</u>	<u>\$ 11,813.51</u>	<u>\$ 54,721.34</u>
<u>Ref.</u>	A			A

Federal Grants	\$ -0-
State Grants	<u>54,721.30</u>
	<u>\$ 54,721.30</u>

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2011
TRUST FUNDS

TOWNSHIP OF VERNON
TRUST FUNDS
SCHEDULE OF CASH

	Ref.	Assessment Trust Fund	Animal Control Fund	Other Trust Funds	Open Space Trust Fund
Balance December 31, 2010	B	\$ 919,144.99	\$ 67,050.00	\$ 1,691,427.91	\$ 1,008,390.60
Increased by Receipts:					
Assessment Lien Redemption		\$ 12,519.50			
Road Assessment Receivable		55,674.67			
Pleasant Valley Dam Assessment Receivable		103,894.14			
Assessment Escrow		9,057.15			
Animal Control Collector			\$ 65,275.80		
Shelter Fees			6,169.00		
Interest Earned			4.63		
Due to State of New Jersey:					
Building Surcharge				\$ 16,211.00	
Due from Current Fund:					
Settlement of Prior Year Interfund				5,808.77	
Due to Current Fund:					
Interfund Advanced		6,000.00		15.00	
Interest Earned		134.34		435.56	
Interest on Assessments		20,547.31			
Reserve for:					
Planning and Zoning Board Escrow				52,920.84	
Developer's Escrow Deposits Payable				8,136.00	
Parking Offense Adjudication Act				26.00	
Fire Prevention Penalties				112,344.00	
Public Defender				8,184.00	
Tax Sale Premium				210,154.32	
Deposit for Redemption				497,926.85	
Recreation				43,156.27	
Police Outside Services				161,811.28	
Unemployment				95,727.12	
Senior Citizens Center				2,158.53	
Council on Affordable Housing				6,095.16	
Developer's Bonds				34,208.15	
Pleasant Valley Dam Rehabilitation				9.26	
MAC Donations				713.66	
Animal Control Donations				1,257.55	
Open Space Trust					\$ 42,635.66
Net Payroll and Payroll Deductions				3,247,905.73	
		<u>207,827.11</u>	<u>71,449.43</u>	<u>4,505,205.05</u>	<u>42,635.66</u>
		1,126,972.10	138,499.43	6,196,632.96	1,051,026.26

TOWNSHIP OF VERNON
TRUST FUNDS
SCHEDULE OF CASH
(Continued)

	Ref.	Assessment Trust Fund	Animal Control Fund	Other Trust Funds	Open Space Trust Fund
Decreased by Disbursements:					
Assessment Escrow		\$ 9,057.15			
Assessment Serial Bonds Payable		390.00			
Assessment Bond Anticipation Notes Payable		92,000.00			
NJDEP Loan Payable		121,392.70			
Administrative Expenses			\$ 80,000.00		
Due to State of New Jersey:					
Building Surcharge				\$ 16,247.00	
Due to/from Current Fund:					
Interfund Advanced				694.21	
Anticipated Revenue		20,241.62			
Reserve for:					
Planning and Zoning Board Escrow				62,508.04	
Developer's Escrow Deposits Payable				4,136.00	
MAC Donations				225.00	
Fire Prevention Penalties				35,873.61	
Public Defender				6,300.00	
Tax Sale Premium				68,754.32	
Deposit for Redemption				497,924.34	
Unemployment				57,016.77	
Senior Citizens Center				933.53	
Recreation				41,439.85	
Police Outside Services				150,255.87	
Open Space Trust					\$ 11,500.00
Net Payroll and Payroll Deductions				3,298,914.31	
		<u>\$ 243,081.47</u>	<u>\$ 80,000.00</u>	<u>\$ 4,241,222.85</u>	<u>\$ 11,500.00</u>
Balance December 31, 2011	B	<u>\$ 883,890.63</u>	<u>\$ 58,499.43</u>	<u>\$ 1,955,410.11</u>	<u>\$1,039,526.26</u>

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

	<u>Ref.</u>		
Balance December 31, 2010	B	\$	-0-
Increased by Receipts:			
Municipal License Fees		\$	51,900.80
State License Fees			8,953.20
Dog License Late Fees			13,255.00
Kennel License Fees			120.00
			<hr/> 74,229.00
Decreased by Disbursements:			
Treasurer - Animal Control Fund			65,275.80
State of New Jersey			8,953.20
			<hr/> 74,229.00
			<hr/> <hr/>
Balance December 31, 2011	B	\$	-0-
			<hr/> <hr/>

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2010	Receipts		Disbursements			Transfers	Balance Dec. 31, 2011
		Assessments	Miscellaneous	Assessment Serial Bonds	Loan Payable	Miscellaneous		
Fund Balance	\$ 36,595.10		\$ 12,519.50				\$ (10,000.00)	\$ 39,114.60
Due to/(from) Current Fund	(150.17)	\$ 46,923.27				\$ 20,241.62	10,000.00	36,531.48
Assessment Serial Bonds:								
<u>Ord #</u>								
03-21 Woodland Hills Drive, Red Oak Court								
Babtown Road Improvements	127,147.77	54,936.91		\$ 362.00				181,722.68
03-22 Silverdale Lane Road Improvement	14,643.26	737.76		28.00				15,353.02
Assessment Bond Anticipation Notes:								
<u>Ord #</u>								
03-21 Woodland Hills Drive, Red Oak Court								
Babtown Road Improvements	92,000.00					92,000.00		
NJDEP Loan Payable:								
Pleasant Valley Lake Dam Rehabilitation	642,813.78	83,652.52			\$ 121,392.70			605,073.60
Assessment Escrow								
	6,095.25		9,057.15			9,057.15		6,095.25
	<u>\$ 919,144.99</u>	<u>186,250.46</u>	<u>21,576.65</u>	<u>\$ 390.00</u>	<u>\$ 121,392.70</u>	<u>\$ 121,298.77</u>	<u>\$ -0-</u>	<u>\$ 883,890.63</u>

Ref.

B

B

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

	<u>Ref.</u>		
Balance December 31, 2010	B	\$	67,050.00
Increased by:			
Dog Fees Collected Due to Treasurer:			
Dog License Fees		\$	51,900.80
Late Fees			13,255.00
Shelter Fees			6,169.00
Kennel License Fees			120.00
Interest			4.63
			<u>71,449.43</u>
			<u>138,499.43</u>
Decreased by:			
Animal Control Expenditures			<u>80,000.00</u>
Balance December 31, 2011	B	\$	<u><u>58,499.43</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2009	\$ 53,204.20
2010	<u>51,734.20</u>
Maximum Allowable Reserve	<u><u>\$ 104,938.40</u></u>

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENTS RECEIVABLE

Improvement Description	Date of Confirmation	Balance Dec 31, 2010	Collections	Transferred to Assessment Liens	Balance Dec 31, 2011	Balance Pledged to		
						Assessment Bonds	Loan Payable	Reserve
Improvements to Pleasant Valley Dam	11/10/03	\$ 495,286.96	\$ 103,894.14	\$ 2,810.50	\$ 388,582.32		\$ 315,811.65	\$ 72,770.67
Silverdale Lane Road Improvement	10/02/06	7,377.66	737.76		6,639.90	\$ 6,639.88		0.02
Woodland Hills Drive, Red Oak Court, Babbtown Road Improvements	10/02/06	193,404.49	54,936.91		138,467.58	101,467.32		37,000.26
		<u>\$ 696,069.11</u>	<u>\$ 159,568.81</u>	<u>\$ 2,810.50</u>	<u>\$ 533,689.80</u>	<u>\$ 108,107.20</u>	<u>\$ 315,811.65</u>	<u>\$ 109,770.95</u>
	<u>Ref.</u>	B			B			

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

Ord. No.	Improvement Description	Date of			Interest Rate	Balance Dec. 31, 2010	Matured	Balance Dec. 31, 2011
		Issue of Original Note	Issue	Maturity				
04-16	Improvement to Woodland Hills Drive	01/13/05	01/07/10	01/07/11	2.00%	\$ 92,000.00	\$ 92,000.00	\$ -0-
						<u>\$ 92,000.00</u>	<u>\$ 92,000.00</u>	<u>\$ -0-</u>
					<u>Ref.</u>	B		B
				Redeemed by Cash			\$ 92,000.00	
							<u>\$ 92,000.00</u>	

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, 2010	Matured	Balance Dec. 31, 2011
			Outstanding Date	Dec. 31, 2011 Amount				
General Bonds of 2006	01/01/06	\$ 307,132.90	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%	\$ 305,572.90	\$ 390.00	\$ 305,182.90
						<u>\$ 305,572.90</u>	<u>\$ 390.00</u>	<u>\$ 305,182.90</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, 2010	Matured	Balance Dec. 31, 2011
98-04	Pleasant Valley Dam Rehabilitation	<u>\$ 1,042,277.95</u>	<u>\$ 121,392.70</u>	<u>\$ 920,885.25</u>
	<u>Ref.</u>	B		B

SCHEDULE OF PRINCIPAL PAYMENTS OUTSTANDING DECEMBER 31, 2011

Payment Number	Due Date	Interest	Principal	Balance of Loan
				\$ 920,885.25
17	1/14/12	\$ 9,208.85	\$ 61,608.30	859,276.95
18	7/14/12	8,592.77	62,224.39	797,052.56
19	1/14/13	7,970.53	62,846.63	734,205.93
20	7/14/13	7,342.06	63,475.10	670,730.83
21	1/14/14	6,707.31	64,109.85	606,620.98
22	7/14/14	6,066.21	64,750.95	541,870.03
23	1/14/15	5,418.70	65,398.45	476,471.58
24	7/14/15	4,764.72	66,052.44	410,419.14
25	1/14/16	4,104.19	66,712.96	343,706.18
26	7/14/16	3,437.06	67,380.09	276,326.09
27	1/14/17	2,763.26	68,053.89	208,272.20
28	7/14/17	2,082.72	68,734.43	139,537.77
29	1/14/18	1,395.38	69,421.78	70,115.99
30	7/14/18	701.16	70,115.99	-0-
		<u>\$ 70,554.92</u>	<u>\$ 920,885.25</u>	

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENT LIENS

<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance Dec 31, 2010</u>	<u>Redeemed</u>	<u>Transferred from Assessment Receivable</u>	<u>Balance Dec 31, 2011</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>87,125.50</u>	<u>\$ 12,519.50</u>	<u>\$ 2,810.50</u>	<u>77,416.50</u>	<u>77,416.50</u>
		<u>\$ 104,786.89</u>	<u>\$ 12,519.50</u>	<u>\$ 2,810.50</u>	<u>\$ 95,077.89</u>	<u>\$ 95,077.89</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, 2010	B	<u>\$ 3,159.67</u>
Balance at December 31, 2011	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, 2010</u>	<u>Collections to Fund Balance</u>	<u>Interest Paid by Budget Appropriation</u>	<u>Transfer To/(From)</u>	<u>Balance Dec. 31, 2011</u>
<u>Assessment Receivable:</u>					
Improvement of Pleasant Valley Lake Dam	\$ 95,822.79		\$ 20,241.62	\$ (2,810.50)	\$ 72,770.67
Silverdale Lane Road Improvement	0.02				0.02
Woodland Hills Drive, Red Oak Court, Babtown Road Improvements	37,000.26				37,000.26
	<u>132,823.07</u>		<u>20,241.62</u>	<u>(2,810.50)</u>	<u>109,770.95</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	87,125.50	\$ 12,519.50		2,810.50	77,416.50
	<u>104,786.89</u>	<u>12,519.50</u>		<u>2,810.50</u>	<u>95,077.89</u>
	<u>\$ 237,609.96</u>	<u>\$ 12,519.50</u>	<u>\$ 20,241.62</u>	<u>\$ -0-</u>	<u>\$ 204,848.84</u>
Ref.	B				B

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2011
GENERAL CAPITAL FUND

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF CASH

	<u>Ref.</u>	
Balance December 31, 2010	C	\$ 1,906,942.35
Increased by:		
Capital Improvement Fund:		
2011 Budget Appropriation	\$ 250,000.00	
Due to Current Fund:		
Interest Earned	1,006.38	
Reserve for Town Center Roadway	215,656.15	
Due to Federal and State Grant Fund:		
NJ Department of Transportation:		
Canistear Road	150,000.00	
Capital Fund Balance:		
Premium on Serial Bonds	989.60	
Serial Bonds Issued	13,127,100.00	
Bond Anticipation Notes Issued	2,983,000.00	
		<u>16,727,752.13</u>
		18,634,694.48
Decreased by:		
Bond Anticipation Notes Redeemed	13,395,398.00	
Improvement Authorization Expenditures	1,341,832.26	
Prior Year Encumbrances	48,090.66	
		<u>14,785,320.92</u>
Balance December 31, 2011	C	<u>\$ 3,849,373.56</u>

3-

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

Ord. No.	Improvement Description	Balance Dec. 31, 2010	2011 Authorizations	Serial Bonds Issued	Balance Dec. 31, 2011	Analysis of Balance December 31, 2011		
						Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
<u>General Improvements:</u>								
04-26	Various Capital Improvements	\$ 1,580,471.20		\$ 1,580,471.20				
05-09	Improvements to Town Center	3,159,899.90		3,159,396.90	\$ 503.00		\$ 503.00	
05-14	Various Capital Improvements	1,112,406.82		1,112,406.82				
05-31	Acquisition of Lands	406,473.50		406,473.50				
06-06	Provision of Affordable Housing	587,795.12		587,400.12	395.00		395.00	
06-19	Various Capital Improvements	2,075,635.33		2,075,635.33				
07-24	Impr. To Maple Grange Park	1,693,607.28		1,693,607.28				
07-36	Various Capital Improvements	1,449,925.16		1,449,925.16				
08-17	Various Capital Improvements	1,329,683.69		1,329,683.69				
11-07	Various Capital Improvements		\$ 1,571,000.00		1,571,000.00	\$ 1,571,000.00		
11-08	Various Emergency Services Purposes		1,412,000.00		1,412,000.00	1,412,000.00		
11-22	Acquisition of Sanitary Sewerage Collection and Transmission Facilities		3,809,000.00		3,809,000.00			\$ 3,809,000.00
11-23	Restructuring of a Portion of the Cost of Acquisition of Capacity at the Sanitary Sewage Treatment Plant of the Sussex County Municipal Utilities Authority		2,666,000.00		2,666,000.00			2,666,000.00
		<u>\$ 13,395,898.00</u>	<u>\$ 9,458,000.00</u>	<u>\$ 13,395,000.00</u>	<u>\$ 9,458,898.00</u>	<u>\$ 2,983,000.00</u>	<u>\$ 898.00</u>	<u>\$ 6,475,000.00</u>

Ref.

C

C

Analysis of Unexpended Improvement Authorizations:

Improvement Authorizations - Unfunded

\$ 8,073,924.27

Less: Unexpended Proceeds of Bond Anticipation Notes Issued:

Ord. #11-07

\$ 447,743.11

Ord. #11-08

1,151,181.161,598,924.27\$ 6,475,000.00

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		December 31, 2010		2011 Authorizations		Paid or Charged	Prior Year Encumbrances Canceled	December 31, 2011	
		Date	Amount	Funded	Unfunded	Deferred Charges to Future Taxation - Unfunded	Capital Improvement Fund			Funded	Unfunded
General Improvements:											
04-26	Various Capital Improvements	04/26/04	4,528,200.00	\$ 27.00						\$ 27.00	
05-14	Various Capital Improvements	05/09/05	1,900,000.00		\$ 55.72					55.72	
06-19	Various Capital Improvements	06/26/06	4,100,000.00		131,456.41			\$ 113,017.23	\$ 621.00	19,060.18	
07-24	Improvements to Maple Grange Park	05/24/07	2,100,000.00		8,750.00			4,730.00		4,020.00	
07-36; 11-13	Various Capital Improvements	08/13/07	1,864,579.00		399,200.00			221,440.38		177,759.62	
08-10	Various Capital Improvements	06/12/08	889,537.31	319,056.41				63,778.98		255,277.43	
08-17	Various Capital Improvements	09/11/08	1,329,683.69		349,450.35			66,979.93	6.41	282,476.83	
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	515.72				515.00		0.72	
11-07	Various Capital Improvements	03/28/11	1,650,000.00			\$ 1,571,000.00	\$ 79,000.00	1,202,256.89			\$ 447,743.11
11-08	Various Emergency Services Purposes	04/28/11	1,484,000.00			1,412,000.00	72,000.00	332,818.84			1,151,181.16
11-22	Acquisition of Sanitary Sewerage Collection and Transmission Facilities	11/18/11	4,000,000.00			3,809,000.00	191,000.00			191,000.00	3,809,000.00
11-23	Restructuring of a Portion of the Cost of Acquisition of Capacity at the Sanitary Sewage Treatment Plant of the Sussex County Municipal Utilities Authority	11/18/11	2,800,000.00			2,666,000.00	134,000.00			134,000.00	2,666,000.00
				\$ 320,626.28	\$ 888,912.48	\$ 9,458,000.00	\$ 476,000.00	\$ 2,005,537.25	\$ 627.41	\$1,064,704.65	\$8,073,924.27
Ref.				C	C					C	C

Cash Disbursed \$ 1,341,832.26
Encumbrances 668,204.99
Due from Current Fund:
Less: Improvement Authorization Refunds (4,500.00)
\$ 2,005,537.25

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2010	C	\$ 181,237.65
Increased by:		
2011 Budget Appropriation		<u>295,000.00</u>
		476,237.65
Decreased by:		
Appropriated to Finance Improvement		
Authorizations		<u>476,000.00</u>
Balance December 31, 2011	C	<u>\$ 237.65</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, 2010	Issued	Matured	Balance Dec. 31, 2011
			Issue	Maturity					
04-26	Various Capital Improvements	09/17/04	01/07/10	01/07/11	2.00%	\$ 1,580,471.20		\$ 1,580,471.20	
05-09	Improvements to Town Center	09/15/05	01/07/10	01/07/11	2.00%	3,159,399.90		3,159,399.90	
05-14	Various Capital Improvements	09/15/05	01/07/10	01/07/11	2.00%	1,112,406.82		1,112,406.82	
05-31	Acquisition of Lands	08/31/06	01/07/10	01/07/11	2.00%	406,473.50		406,473.50	
06-06	Provision of Affordable Housing	08/31/06	01/07/10	01/07/11	2.00%	587,795.12		587,795.12	
06-19	Various Capital Improvements	08/31/06	01/07/10	01/07/11	2.00%	2,075,635.33		2,075,635.33	
07-24	Improvements to Maple Grange	10/11/07	01/07/10	01/07/11	2.00%	1,693,607.28		1,693,607.28	
07-36	Various Capital Improvements	10/11/07	01/07/10	01/07/11	2.00%	1,449,925.16		1,449,925.16	
08-17	Various Capital Improvements	01/10/08	01/07/10	01/07/11	2.00%	1,329,683.69		1,329,683.69	
11-07	Various Capital Improvements	05/24/11	05/24/11	05/24/12	1.60%		\$ 1,571,000.00		\$ 1,571,000.00
11-08	Various Emergency Services Purposes	06/21/11	06/21/11	05/24/12	1.25%		1,412,000.00		1,412,000.00
						<u>\$ 13,395,398.00</u>	<u>\$ 2,983,000.00</u>	<u>\$ 13,395,398.00</u>	<u>\$ 2,983,000.00</u>
					<u>Ref.</u>	C			C
				New Issues			\$ 2,983,000.00		
				Redeemed for Cash				\$ 398.00	
				Serial Bonds Issued				13,395,000.00	
							<u>\$ 2,983,000.00</u>	<u>\$ 13,395,398.00</u>	

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2010	Issued	Matured	Balance Dec. 31, 2011
			Date	Amount					
General Bonds of 2001	07/01/01	\$ 7,049,000.00	09/15/12	\$ 624,000.00	4.000%	\$ 2,024,000.00		\$ 1,400,000.00	\$ 624,000.00
General Bonds of 2006	01/01/06	7,548,867.10	01/01/12	192,200.00	3.850%				
			01/01/13	672,700.00	3.850%				
			01/01/14	720,750.00	3.850%				
			01/01/15	768,800.00	3.850%				
			01/01/16	864,900.00	3.850%				
			01/01/17	864,900.00	3.850%				
			01/01/18	864,900.00	3.850%				
			01/01/19	864,900.00	3.850%				
			01/01/20	864,900.00	3.850%				
			01/01/21	821,867.10	3.900%	7,510,427.10		9,610.00	7,500,817.10
General Bonds of 2011	01/06/11	13,395,000.00	01/01/12	595,000.00	3.000%				
			01/01/13	640,000.00	3.000%				
			01/01/14	680,000.00	3.000%				
			01/01/15	720,000.00	3.000%				
			01/01/16	765,000.00	3.000%				
			01/01/17	810,000.00	3.250%				
			01/01/18	850,000.00	3.250%				
			01/01/19	890,000.00	3.500%				
			01/01/20	935,000.00	3.500%				
			01/01/21	980,000.00	3.750%				
			01/01/22	1,020,000.00	4.000%				
			01/01/23	1,065,000.00	4.125%				
			01/01/24	1,105,000.00	4.280%				
			01/01/25	1,150,000.00	4.450%				
			01/01/26	1,190,000.00	4.570%				
						\$ 9,534,427.10	\$ 13,395,000.00	\$ 1,409,610.00	\$ 21,519,817.10

Ref.

C

C

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

Ord. No.	Improvement Description	Balance Dec. 31, 2010	2011 Authorizations	Bond Anticipation Notes Matured	Bond Anticipation Notes Issued	Serial Bonds Issued	Balance Dec. 31, 2011
04-26	Various Capital Improvements			\$ 1,580,471.20		\$ 1,580,471.20	
05-09	Improvement to Town Center	\$ 500.00		3,159,399.90		3,159,396.90	\$ 503.00
05-14	Various Capital Improvements			1,112,406.82		1,112,406.82	
05-31	Acquisition of Lands			406,473.50		406,473.50	
06-06	Provision of Affordable Housing			587,795.12		587,400.12	395.00
06-19	Various Capital Improvements			2,075,635.33		2,075,635.33	
07-24	Improvement to Maple Grange Park			1,693,607.28		1,693,607.28	
07-36	Various Capital Improvements			1,449,925.16		1,449,925.16	
08-17	Various Capital Improvements			1,329,683.69		1,329,683.69	
11-07	Various Capital Improvements		\$ 1,571,000.00		\$ 1,571,000.00		
11-08	Various Emergency Services Purposes		1,412,000.00		1,412,000.00		
11-22	Acquisition of Sanitary Sewerage Collection and Transmission Facilities		3,809,000.00				3,809,000.00
11-23	Restructuring of a Portion of the Cost of Acquisition of Capacity at the Sanitary Sewage Treatment Plant of the Sussex County Municipal Utilities Authority		2,666,000.00				2,666,000.00
		<u>\$ 500.00</u>	<u>\$ 9,458,000.00</u>	<u>\$ 13,395,398.00</u>	<u>\$ 2,983,000.00</u>	<u>\$ 13,395,000.00</u>	<u>\$ 6,475,898.00</u>

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2011
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2011
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, 2010	E	\$ 6,425.51	\$ 449,930.82
Increased by Receipts:			
Contractor Contributions		\$ 154,287.50	
Prior Year Amount due from Contractor		94,100.00	
Nonbudget Revenue		20.53	
Due to Sewer Utility Operating Fund:			
Interest Earned			\$ 508.26
		<u>248,408.03</u>	<u>508.26</u>
		254,833.54	450,439.08
Decreased by Disbursements:			
2011 Appropriation Expenditures		29,967.38	
2010 Appropriation Reserves		552.12	
Accrued Interest on Bonds		61,250.00	
Due from Vernon MUA:			
SCMUA User Fees		<u>94,658.97</u>	
		<u>186,428.47</u>	
Balance December 31, 2011	E	<u>\$ 68,405.07</u>	<u>\$ 450,439.08</u>

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

		<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Receipts</u> <u>Miscellaneous</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
Due to Sewer Utility Operating Fund			\$ 508.26	\$ 508.26
Ord. No.	<u>Improvement Authorizations</u>			
00-33	Wastewater Disposal Facility	\$ 449,930.82		449,930.82
		<u>\$ 449,930.82</u>	<u>\$ 508.26</u>	<u>\$ 450,439.08</u>

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

<u>Ord.</u> <u>No.</u>	<u>Ord.</u> <u>Date</u>	<u>Improvement Description</u>	<u>Balance</u> <u>Dec. 31, 2010</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
00-33	12/11/00	Improvement to Sanitary Sewer System	<u>\$ 3,000,000.00</u>	<u>\$ 3,000,000.00</u>
			<u><u>\$ 3,000,000.00</u></u>	<u><u>\$ 3,000,000.00</u></u>
		<u>Ref.</u>	E	E

TOWNSHIP OF VERNON
SEWER UTILITY OPERATING FUND
SCHEDULE OF 2010 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2011

		Balance Dec. 31, 2010	Balance After Modification	Paid or Charged	Balance Lapsed
Operating:					
Other Expenses		\$ 671.68	\$ 671.68	\$ 552.12	\$ 119.56
		<u>\$ 671.68</u>	<u>\$ 671.68</u>	<u>\$ 552.12</u>	<u>\$ 119.56</u>
	<u>Ref.</u>				
<u>Analysis of Balance December 31, 2010</u>					
Unencumbered	E	\$ 119.56			
Encumbered	E	<u>552.12</u>			
		<u>\$ 671.68</u>			

TOWNSHIP OF VERNON
SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		Balance Dec. 31, 2010	Balance Dec. 31, 2011
		Date	Amount	Funded	Funded
00-33	Improvement to the Sanitary Sewer System	12/11/00	\$ 3,000,000.00	\$ 449,930.82	\$ 449,930.82
				<u>\$ 449,930.82</u>	<u>\$ 449,930.82</u>
				<u>Ref.</u>	<u>E</u>

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, 2010</u>	<u>Funded by Budget Appropriation</u>	<u>Balance Dec. 31, 2011</u>
00-33	Improvement to Sanitary Sewer System	12/11/00	\$ 200,000.00	\$ 25,000.00	\$ 225,000.00
			<u>\$ 200,000.00</u>	<u>\$ 25,000.00</u>	<u>\$ 225,000.00</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		Interest Rate	Balance Dec. 31, 2010	Matured	Balance Dec. 31, 2011
			Date	Outstanding Dec. 31, 2011 Amount				
Improvement to Sanitary Sewage System	1/1/2008	\$ 2,850,000.00	1/1/12-16	\$ 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%	\$ 2,800,000.00	\$ 25,000.00	\$ 2,775,000.00
						<u>\$ 2,800,000.00</u>	<u>\$ 25,000.00</u>	<u>\$ 2,775,000.00</u>
					<u>Ref.</u>	E		E

TOWNSHIP OF VERNON

PART II – SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2011

TOWNSHIP OF VERNON
SCHEDULE OF OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 N.J. Department of Law and Public Safety)	16.607	Body Armor Fund	\$ 3,309.14	01/01/08	12/31/11		\$ 123.32	\$ 3,309.14
			689.44	01/01/09	12/31/11		689.44	689.44
			<u>3,998.58</u>				<u>812.76</u>	<u>3,998.58</u>
(Passed thru Office of Community Policing Services)	16.710	Secure Our Schools Grant Program	<u>79,946.00</u>	09/01/10	08/31/12	\$ 40,421.00	40,421.00	40,421.00
Total Department of Justice			<u>83,944.58</u>			<u>40,421.00</u>	<u>41,233.76</u>	<u>44,419.58</u>
<u>U.S. Department of Transportation</u>								
(Passed thru N.J. Department of Transportation)	20.605	Over the Limit Under Arrest - 2011 Mobilization Grant	4,400.00	01/01/11	12/31/12	4,225.00		
	20.205	Transportation Trust Fund Authority Act: Municipal Aid - 2011	<u>200,000.00</u>	01/01/11	12/31/11	<u>150,000.00</u>	<u>200,000.00</u>	<u>200,000.00</u>
Total U.S. Department of Transportation			<u>204,400.00</u>			<u>154,225.00</u>	<u>200,000.00</u>	<u>200,000.00</u>
Total Federal Awards			<u>\$ 288,344.58</u>			<u>\$ 194,646.00</u>	<u>\$ 241,233.76</u>	<u>\$ 244,419.58</u>

TOWNSHIP OF VERNON
SCHEDULE OF OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2011

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	\$ 60,000.00	01/01/10	12/31/12	\$ 15,000.00		\$ 45,000.00
			60,000.00			15,000.00		45,000.00
	Body Armor Replacement Grant	1120-718-066-1020-001- YCJS-6120	1,281.37	01/01/09	12/31/11		\$ 1,281.37	1,281.37
			2,865.41	01/01/10	12/31/11		2,865.40	2,865.40
			2,971.02	01/01/11	12/31/12	2,971.02		
			7,117.80			2,971.02	4,146.77	4,146.77
	Drunk Driving Enforcement Fund	100-078-6400-YYYY	17,289.03	01/01/09	12/31/11		2,071.80	17,288.72
			8,948.10	01/01/10	12/31/12		5,554.00	5,554.00
			5,163.63	01/01/11	12/31/12	5,163.63		
			31,400.76			5,163.63	7,625.80	22,842.72
	Total Department of Law and Public Safety		98,518.56			23,134.65	11,772.57	71,989.49
<u>Department of Community Affairs</u>	Special Legislative Grants: Wastewater Management	01-100-022-8030-367 -FFFF-6120	500,000.00	01/01/03	12/31/12		150,000.00	471,229.92
Total Department of Community Affairs			500,000.00				150,000.00	471,229.92
<u>Department of Environmental Protection</u>	Clean Communities Grant	765-042-4900-004-6020	41,020.28	01/01/09	12/31/11		27,121.84	41,020.24
			42,713.98	01/01/10	12/31/12		67.43	67.43
			42,622.13	01/01/11	12/31/12	42,622.13		
			126,356.39			42,622.13	27,189.27	41,087.67
	Recycling Tonnage	752-042-4900-001-6020	10,354.20	01/01/10	12/31/12	10,354.20		
			9,128.15	01/01/11	12/31/12	9,128.15		
			19,482.35			19,482.35		
Total Department of Environmental Protection			145,838.74			62,104.48	27,189.27	41,087.67

TOWNSHIP OF VERNON
SCHEDULE OF OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2011

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 Treasury</u>								
(Passed through the County of Sussex)	Governor's Council on Alcoholism and Drug Abuse - Municipal Alliance	205-3063-402-0435	\$ 22,178.00	01/01/08	12/31/11		\$ 713.66	\$ 22,178.00
			20,467.00	01/01/10	12/31/10	\$ 20,322.50		20,322.50
			20,467.00	01/01/11	12/31/12	11,733.59	20,451.00	20,451.00
		11,733.59						
Total Department of Treasury			63,112.00			32,056.09	21,164.66	62,951.50
<u>NJ Highlands Council</u>								
	Highlands Plan Conformance Grant	N/A	22,512.73	01/01/11	12/31/11	22,512.73	22,512.73	22,512.73
Total NJ Highlands Council			22,512.73			22,512.73	22,512.73	22,512.73
Total State Awards			\$ 829,982.03			\$ 139,807.95	\$ 232,639.23	\$ 669,771.31

N/A - Not Available

TOWNSHIP OF VERNON
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2011

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. NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION LOAN PAYABLE

At December 31, 2011, the Township has \$920,885.25 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
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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, 2011 and 2010 and have issued our report thereon dated May 24, 2012, which indicated that the financial statements have been prepared on an other comprehensive basis of accounting. 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 Responses as Finding 2011-1 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 Responses. 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
May 24, 2012


NISIVOC CIA LLP


Francis J. Jones

Registered Municipal Accountant No. 442
Certified Public Accountant

TOWNSHIP OF VERNON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the Township's financial statements for 2011 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 2011 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 2011-1

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. 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 Township is currently investigating the cost/benefit relationship of various alternatives to resolve this recommendation.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the Single Audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the Single Audit threshold.

TOWNSHIP OF VERNON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

The prior year finding 2010-1 regarding the segregation of duties has not been completely resolved and is included in the current year audit report as finding 2011-1.

TOWNSHIP OF VERNON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2011

TOWNSHIP OF VERNON
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised per 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 January 1, 2011, the bid threshold in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500, 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, 2011, 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 resolution.

Delinquent Taxes and Tax Title Liens/Assessment Liens

The last tax sale was held on September 14, 2011, 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>
2011	408
2010	415
2009	372

The Township has numerous tax title liens and assessment liens outstanding as of December 31, 2011. These properties, generally, do not contribute revenue to the operations of the Township and instead act as a drain on Township resources. However, since the Township had settled foreclosure proceedings involving approximately 48 properties and are in the process of initiating additional foreclosure proceedings, a formal recommendation is not deemed necessary.

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 2012 Taxes	20
Payments of 2011 Taxes	20
Delinquent Taxes	20
Tax Title Liens	3
Assessment Liens	3

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 refunds of tax overpayments do not have a formal purchase order; only a copy of the formal resolution authorizing the refund is retained as backup documentation. 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.

During our review of the Township's accounting records, it was noted that the 2011 adopted Sewer Operating Utility Fund budget was not in balance by \$2,322.72. We also noted that Current Fund appropriation transfers posted in the Township's accounting system do not agree with the approved resolution due to the fact that transfers on the adopted resolution do not balance and the resolution was not corrected to reflect the actual transfers posted in the Township's accounting system. Additionally, the Township applied for a COPS Secure Our Schools grant on behalf of the Vernon Board of Education (the "School"). However, the Township did not adopt a Chapter 159 resolution in accordance with N.J.S.A.40A:4-87 to amend the budget to include the insertion of a special item of revenue and appropriation for this grant but instead reflected the pass-through activities for this grant through the budget line item for police salaries and wages. We also noted that the Township amended their budget to include a local share of the Recreational Opportunities for Individuals with Disabilities Grant by adopting a Chapter 159 resolution when the Township should have adopted an emergency appropriation resolution in accordance with N.J.S.A.40A:4-55. It is recommended that the Township reviews the operations in their finance office to ensure compliance with statutory regulations relative to budget posting, transfers and amendments.

TOWNSHIP OF VERNON
COMMENTS AND RECOMMENDATIONS
(Continued)

Internal Controls (Cont'd)

Management's Response

The Township will review its finance office procedures to ensure compliance with state regulation and statutes and that adequate internal controls are in place.

Outside Offices

During our review of the Clerk's Office's records, we noted that the department did not maintain a detailed cash ledger that records all fees collected for earlier part of the year. The department issues prenumbered receipts, which are turned over to the Finance Office for deposit and posting into the general ledger. However, since the Clerk's Office implemented a corrective action plan and started maintaining a separate detailed cash ledger in September of 2011, a formal recommendation is not judged to be warranted.

Municipal Court

A summary of Municipal Court transactions for the year 2011 is as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

	Balance Dec. 31, 2010	Receipts	Disbursements	Balance Dec. 31, 2011
State of New Jersey	\$ 3,724.30	\$ 83,720.68	\$ 81,015.34	\$ 6,429.64
County	1,285.75	51,953.50	49,623.50	3,615.75
Municipality		142,470.42	142,470.42	
Municipality - POAA		26.00	26.00	
Conditional Discharge	45.00	1,955.00	2,000.00	
Public Defender		8,184.00	8,184.00	
Weights and Measures	150.00	6,300.00	5,800.00	650.00
Fish and Game	100.00	145.00	245.00	
Forest & Parks	50.00	1,450.00	1,450.00	50.00
Restitution	155.00	3,555.01	3,710.01	
Interest		30.83	30.83	
Miscellaneous		55.70	55.70	
	<u>\$ 5,510.05</u>	<u>\$ 299,846.14</u>	<u>\$ 294,610.80</u>	<u>\$ 10,745.39</u>

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. Since the Township has passed a resolution to transfer the funds in the Reserve for Public Assistance to the Current Fund fund balance in 2012, a formal recommendation is not deemed necessary.

TOWNSHIP OF VERNON
COMMENTS AND RECOMMENDATIONS
(Continued)

Status of Prior Year Recommendations

All recommendations except for recommendations 1, 3 and 4 from the 2010 audit have been resolved. The Township is in the process of implementing corrective action to resolve these recommendations.

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. 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.
3. All purchases follow the same internal control requirements as all other Township purchases.
4. The Township reviews their operations in the finance office to ensure compliance with statutory regulation relative to budget posting, transfers and amendments.

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