

TOWNSHIP OF VERNON

COUNTY OF SUSSEX

REPORT OF AUDIT

2013

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
REPORT OF AUDIT
2013

TOWNSHIP OF VERNON
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2013

<u>Part I – Financial Statements and Supplementary Data</u>	<u>Page</u>
Independent Auditors' Report	1-3
 <u>Financial Statements</u>	 <u>Exhibit</u>
<u>Current Fund</u>	
Comparative Balance Sheet	A
Comparative Statement of Operations and Change in Fund Balance	A-1
Statement of Revenue	A-2
Statement of Expenditures	A-3
<u>Trust Funds</u>	
Comparative Balance Sheet	B
Statement of Fund Balance - Assessment Trust Fund	B-1
Statement of Revenue - Assessment Trust Fund	B-2
Statement of Expenditures - Assessment Trust Fund	B-3
<u>General Capital Fund</u>	
Comparative Balance Sheet	C
Statement of Fund Balance	C-1
<u>Water Utility Fund</u> (Not Applicable)	D
<u>Sewer Utility Fund</u> (Not Applicable)	
<u>General Fixed Assets Account Group</u>	
Comparative Balance Sheet	F
	 <u>Page</u>
<u>Notes to Financial Statements</u>	1-22
	 <u>Schedule</u>
<u>Supplementary Data</u>	
Officials in Office and Surety Bonds	1
<u>Current Fund</u>	
Schedule of Cash - Treasurer	A-4
Schedule of Cash - Collector	A-5
Schedule of Cash - Federal and State Grant Fund (Not Applicable)	A-6
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-7
Schedule of Tax Title Liens Receivable	A-8
Schedule of Revenue Accounts Receivable	A-9
Schedule of Federal and State Grants Receivable - Federal and State Grant Fund	A-10
Schedule of 2012 Appropriation Reserves	A-11
Schedule of Local School District Taxes Payable	A-12
Schedule of Appropriated Reserves - Federal and State Grant Fund	A-13
Schedule of Unappropriated Reserves - Federal and State Grant Fund	A-14

TOWNSHIP OF VERNON
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

<u>Part I – Financial Statements and Supplementary Data (Continued)</u>	<u>Schedule</u>
<u>Supplementary Data (Continued)</u>	
<u>Trust Funds</u>	
Schedule of Cash - Treasurer	B-4
Schedule of Cash – Collector	B-4a
Analysis of Assessment Trust Fund Cash - Assessment Trust Fund	B-5
Schedule of Reserve for Animal Control Fund Expenditures - Animal Control Fund	B-6
Schedule of Assessments Receivable	B-7
Schedule of Prospective Assessments Funded (Not Applicable)	
Schedule of Bond Anticipation Notes Payable (Not Applicable)	
Schedule of Serial Bonds Payable	B-8
Schedule of New Jersey Department of Environmental Protection Loan Payable	B-9
Schedule of Assessments Liens	B-10
Schedule of Assessment Liens – Interest and Costs	B-11
Schedule of Reserve for Assessments and Liens	B-12
<u>General Capital Fund</u>	
Schedule of Cash	C-2
Analysis of General Capital Fund Cash	C-3
Schedule of Deferred Charges to Future Taxation - Unfunded	C-4
Schedule of Improvement Authorizations	C-5
Schedule of Capital Improvement Fund	C-6
Schedule of Bond Anticipation Notes Payable	C-7
Schedule of Serial Bonds Payable	C-8
Schedule of Bonds and Notes Authorized but not Issued	C-9
 <u>Part II – Single Audit</u>	 <u>Page</u>
Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of State Awards	2-3
Notes to Schedules of Expenditures of Federal and State Awards	4
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 <i>Government Auditing Standards</i>	5-6
Schedule of Findings and Responses	7
Summary Schedule of Prior Audit Findings	8
 <u>Part III – Comments and Recommendations</u>	
Comments and Recommendations	1-3
Summary of Recommendations	4

TOWNSHIP OF VERNON
PART I
FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA
YEAR ENDED DECEMBER 31, 2013



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Independent Auditors' Report

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

Report on the Financial Statements

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, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Township on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a 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 regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for the Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America the financial position of each fund of the Township as of December 31, 2013 and 2012, or the changes in financial position where applicable, thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds of the Township as of December 31, 2013 and 2012, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey's OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the financial statements.

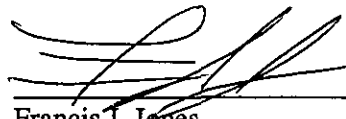
The supplementary data schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund financial statements or to the various fund financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
March 7, 2014

Nisivoccia LLP
NISIVOCCIA LLP



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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2013
CURRENT FUND

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE BALANCE SHEET

		December 31,	
	Ref.	2013	2012
<u>ASSETS</u>			
Regular Fund:			
Cash - Treasurer		\$ 5,512,831.49	\$ 6,249,578.97
Investment - Treasurer		201,170.32	200,508.66
	A-4	5,714,001.81	6,450,087.63
Change Funds		775.00	775.00
Due from State of New Jersey:			
Senior Citizen and Veteran Deductions		57,535.88	47,457.81
		5,772,312.69	6,498,320.44
Receivables and Other Assets With			
Full Reserves:			
Delinquent Property Taxes Receivable	A-7	1,829,946.39	1,690,300.08
Tax Title Liens Receivable	A-8	3,881,046.89	3,570,147.79
Property Acquired for Taxes at Assessed			
Valuation		2,764,600.00	2,224,300.00
Internal Revenue Service Receivable		91,614.41	91,614.41
Ameripay Receivable		268,615.99	269,509.53
Due from Vernon Township MUA		520,826.27	520,862.86
Due from Mountain Creek		4,300.00	531.25
Due from PVL Dam Association		12,164.06	
Total Receivables and Other Assets			
With Full Reserves		9,373,114.01	8,367,265.92
Deferred Charges:			
Emergency Authorization		38,063.00	1,600.00
Special Emergency Authorization		600,000.00	800,000.00
		638,063.00	801,600.00
Total Regular Fund		15,783,489.70	15,667,186.36
Federal and State Grant Fund:			
Federal and State Grants Receivable	A-10	208,638.42	194,327.40
Due from Current Fund	A	265,189.82	111,389.15
		473,828.24	305,716.55
<u>TOTAL ASSETS</u>		\$ 16,257,317.94	\$ 15,972,902.91

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE BALANCE SHEET
(Continued)

		December 31,	
	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 735,038.08	\$ 855,106.84
Encumbered	A-3;A-11	340,304.10	446,803.42
Total Appropriation Reserves		1,075,342.18	1,301,910.26
Accounts Payable - Vendors		19,500.00	476.00
Accrued Payroll		59,168.14	347,292.31
Other Encumbrances Payable		16,541.63	463,013.74
Special Emergency Notes		600,000.00	800,000.00
Prepaid Taxes		411,038.55	291,932.13
Tax Overpayments			6,544.18
Due to Wantage Township Fire Prevention		1,000.00	570.00
Due County for Added and Omitted Taxes		36,992.21	24,860.75
Due to:			
Federal and State Grant Fund	A	265,189.82	111,389.15
Assessment Trust Fund	B		65.48
Other Trust Funds	B	9,855.13	18,364.57
State of New Jersey:			
Marriage License Fees		700.00	450.00
Reserve for:			
Garden State Trust			105,963.00
Tax Appeals		333,000.00	633,000.00
Codification of Ordinances		11,690.23	11,690.23
Master Plan		3,422.64	3,422.64
Revaluation		27,647.86	54,435.36
Sale of Municipal Assets - Attorney Fees		200.00	200.00
Damages from Hurricane Irene and Tropical Storm Lee		1,340.00	16,572.08
Hurricane Irene - FEMA Payments		184,980.70	245,796.46
		3,057,609.09	4,437,948.34
Reserve for Receivables and Other Assets	A	9,373,114.01	8,367,265.92
Fund Balance	A-1	3,352,766.60	2,861,972.10
Total Regular Fund		15,783,489.70	15,667,186.36
Federal and State Grant Fund:			
Appropriated Reserves	A-13	315,665.61	252,468.29
Unappropriated Reserves	A-14	13,433.68	3,145.43
Reserve for Encumbrances		144,728.95	50,102.83
Total Federal and State Grant Fund		473,828.24	305,716.55
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 16,257,317.94</u>	<u>\$ 15,972,902.91</u>

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.	2013	2012
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 943,000.00	\$ 575,000.00
Miscellaneous Revenue Anticipated		5,354,066.28	5,922,438.01
Receipts from:			
Delinquent Taxes		1,653,825.11	1,750,172.22
Current Taxes		68,401,826.25	69,371,623.69
Nonbudget Revenue		396,936.12	620,007.80
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		492,007.00	429,984.57
Cancellation of Accounts Payable		476.00	
Cancellation of Appropriated Grant Reserves		2,518.35	63,666.56
Cancellation of Reserve for Public Assistance			28,156.85
Cancellation of Reserve for Tax Appeals		300,000.00	
Prior Year Senior Citizens' Deductions Allowed			250.00
Interfunds and Other Receivables Returned		1,461.38	588,813.76
Total Income		<u>77,546,116.49</u>	<u>79,350,113.46</u>
<u>Expenditures</u>			
Budget Appropriations		20,737,440.50	21,262,317.40
County Taxes		13,138,160.57	13,116,660.42
Local School District Taxes		42,251,468.00	42,737,346.00
Prior Year Taxes Applied to Prepaid Taxes			1,968.11
Prior Year Taxes Applied to 2013 Taxes		1,881.50	178,911.47
Refund of Prior Year Taxes		2,452.01	123,976.40
Cancellation of Federal and State Grant Fund Receivables		2,518.35	16.15
Cancellation of Prior Year Interfund Due From Sewer Operating Fund			385,119.75
To set up Receivable Fully Offset by Reserves:			
Due from Mountain Creek		4,300.00	531.25
Due from Vernon Township MUA			190,166.68
Due from PVL Dam Association		12,164.06	
Total Expenditures		<u>76,150,384.99</u>	<u>77,997,013.63</u>
Excess in Revenue		1,395,731.50	1,353,099.83
Adjustments before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year		<u>38,063.00</u>	
Statutory Excess to Fund Balance		1,433,794.50	1,353,099.83
<u>Fund Balance</u>			
Balance January 1		<u>2,861,972.10</u>	<u>2,083,872.27</u>
		4,295,766.60	3,436,972.10
Decreased by:			
Utilized as Anticipated Revenue		<u>943,000.00</u>	<u>575,000.00</u>
Balance December 31	A	\$ 3,352,766.60	\$ 2,861,972.10

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, 2013

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 943,000.00		\$ 943,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	8,000.00		11,033.08	\$ 3,033.08
Fees and Permits	132,245.00		120,547.99	11,697.01 *
Fines and Costs:				
Municipal Court	130,000.00		135,232.80	5,232.80
Interest and Costs on Taxes	66,000.00		341,089.87	275,089.87
Interest on Investments and Deposits	14,000.00		14,427.63	427.63
Recycling Receipts	115,000.00		108,942.92	6,057.08 *
Energy Receipts Tax	1,862,248.00		1,862,248.00	
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	375,000.00		361,699.00	13,301.00 *
Interlocal Service Agreement - 911 Communications:				
Township of Wantage	68,700.00		70,000.00	1,300.00
Borough of Sussex	16,300.00		16,053.00	247.00 *
Interlocal Service Agreement - Animal Control Services:				
Borough of Sussex	9,004.00		10,879.75	1,875.75
Interlocal Service Agreement - Financial Services:				
Borough of Sussex	19,200.00		19,200.00	
Vernon MUA	30,000.00		26,520.00	3,480.00 *
Interlocal Service Agreement - QPA:				
Borough of Sussex	3,333.00		5,079.00	1,746.00
Interlocal Service Agreement - Administrative:				
Vernon MUA	45,000.00		45,000.00	
Drunk Driving Enforcement Fund - 2013		\$ 7,739.62	7,739.62	
Clean Communities Program - 2013		49,148.50	49,148.50	
Alcohol Education and Rehabilitation Fund				
Municipal Alliance on Alcoholism and Drug Abuse	20,467.00		20,467.00	
Body Armor Fund:				
State	3,146.00		3,146.00	
NJ Division of Highway Traffic Safety:				
Drive Sober or Get Pulled Over - 2013		4,400.00	4,400.00	
FEMA - Assistance to Firefighters Grant		342,562.00	342,562.00	
NJ Department of Environmental Protection:				
No Net Loss Grant - 2013		30,642.00	30,642.00	
Uniform Fire Safety Act	29,000.00		30,566.34	1,566.34
Assessment Trust Surplus	10,000.00		10,000.00	
Lot Development Plan	2,200.00		3,400.00	1,200.00
Miscellaneous Revenue (Cont'd):				
Hotel Occupancy Fee (P.L.2003, c.114)	201,000.00		250,908.58	49,908.58
Interest on Pleasant Valley Lake Dam Loan	15,313.00		15,313.00	
SCMUA Bill to be Repaid by VTUUA	824,371.00		837,402.20	13,031.20
Reserve for Hurricane Irene - FEMA Payments	200,000.00		200,000.00	
Total Miscellaneous Revenue	4,599,945.00	434,492.12	5,354,066.28	319,629.16

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Receipts from Delinquent Taxes	\$ 1,650,000.00		\$ 1,653,825.11	\$ 3,825.11
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>15,484,096.00</u>		<u>15,392,664.68</u>	<u>91,431.32 *</u>
Budget Totals	22,677,041.00	\$ 434,492.12	23,343,556.07	<u>\$ 232,022.95</u>
Nonbudget Revenue			<u>396,936.12</u>	
	<u>\$ 22,677,041.00</u>	<u>\$ 434,492.12</u>	<u>\$ 23,740,492.19</u>	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2013
(Continued)

Allocation of Current Tax Collections

Collections		\$ 68,401,826.25
Allocated to:		
County Taxes	\$ 13,101,168.36	
Due to County for Added and Omitted Taxes	36,992.21	
School Taxes	<u>42,251,468.00</u>	
		<u>55,389,628.57</u>
		13,012,197.68
Add: Appropriation "Reserve for Uncollected Taxes"		<u>2,380,467.00</u>
Realized for Support of Municipal Budget		<u>\$ 15,392,664.68</u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 1,633,982.94
Tax Title Liens Redeemed	<u>19,842.17</u>
	<u>\$ 1,653,825.11</u>

Analysis of Nonbudget Revenue:

Treasurer:		
Auction or Sale of Township Property	\$ 18,928.71	
National Wildlife in Lieu of Tax	9,835.00	
Cable TV Franchise Fee	88,141.64	
Administrative Fee - Senior Citizens and Veterans Deductions	4,119.15	
Other Miscellaneous Receipts	956.25	
NJ DMV Inspection Fines	400.00	
FEMA Reimbursement - Superstorm Sandy	36,431.42	
Prior Year Expenses	4,236.20	
Restitution	37.50	
County of Sussex Nutrition Site	22,699.92	
Wantage Fire Prevention Fees	11,168.00	
Workers' Compensation and Other Insurance Refunds	36,074.97	
Geographic Information Systems	8,350.00	
Sewer Debt Service Reimbursements from Mountain Creek	144,843.75	
Cancellation of Trust Reserve for Unclaimed Property	853.25	
Interest on Road Assessment Receivables	7,167.28	
Interest on Pleasant Valley Dam Assessment Receivables	<u>4.08</u>	
		\$ 394,247.12
Collector:		
Other Miscellaneous		<u>2,689.00</u>
		<u>\$ 396,936.12</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, 2013

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
General Administration:					
Salaries and Wages	\$ 297,255.00	\$ 288,255.00	\$ 268,978.76	\$ 19,276.24	
Other Expenses	95,560.00	118,310.00	104,117.07	14,192.93	
Mayor and Council:					
Salaries and Wages	46,000.00	46,000.00	45,359.11	640.89	
Other Expenses	7,000.00	7,000.00	1,487.80	5,512.20	
Municipal Clerk:					
Salaries and Wages	122,500.00	127,500.00	126,455.35	1,044.65	
Other Expenses	44,700.00	44,700.00	40,590.97	4,109.03	
Financial Administration:					
Salaries and Wages	195,754.00	195,754.00	182,953.19	12,800.81	
Other Expenses	14,080.00	14,080.00	11,238.12	2,841.88	
Annual Audit	41,000.00	41,000.00	12,000.00	29,000.00	
Technology:					
Other Expenses	39,000.00	39,000.00	37,456.73	1,543.27	
Revenue Administration (Collection of Taxes):					
Salaries and Wages	145,658.00	159,658.00	158,160.96	1,497.04	
Other Expenses	45,000.00	45,000.00	26,737.66	18,262.34	
Tax Assessment Administration:					
Salaries and Wages	166,878.00	169,878.00	168,061.11	1,816.89	
Other Expenses	23,675.00	23,675.00	19,343.82	4,331.18	
Legal Services:					
Other Expenses	245,000.00	255,000.00	235,659.44	19,340.56	
Engineering Services:					
Other Expenses	26,500.00	26,500.00	24,943.26	1,556.74	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
GENERAL GOVERNMENT (Continued):					
Economic Development:					
Other Expenses	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00		
Historic Society:					
Other Expenses	5,000.00	5,000.00	5,000.00		
Historical Preservation Commission:					
Other Expenses	2,000.00	2,000.00	431.45	\$ 1,568.55	
MUNICIPAL LAND USE LAW (N.J.S.A.40:55D-11):					
Land Use Board:					
Salaries and Wages	125,083.00	130,583.00	128,201.22	2,381.78	
Other Expenses	85,400.00	120,400.00	83,706.62	36,693.38	
INSURANCE:					
Liability Insurance	489,100.00	515,100.00	511,446.99	3,653.01	
Workers Compensation	373,100.00	344,100.00	342,791.40	1,308.60	
Employee Group Insurance (Health)	2,872,475.00	2,770,725.00	2,502,155.40	268,569.60	
Health Benefit Waiver	47,500.00	47,500.00	40,133.55	7,366.45	
Unemployment Insurance	10,000.00	10,000.00	10,000.00		
PUBLIC SAFETY FUNCTIONS:					
Police Department:					
Salaries and Wages	3,470,762.00	3,460,762.00	3,412,379.98	48,382.02	
Other Expenses	143,220.00	163,220.00	157,605.52	5,614.48	
Township Radio & Communications:					
Salaries and Wages	424,292.00	414,292.00	373,818.27	40,473.73	
Other Expenses	3,500.00	3,500.00	3,450.00	50.00	
Volunteer Emergency Services:					
Other Expenses	270,000.00	270,000.00	251,267.96	18,732.04	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
PUBLIC SAFETY FUNCTIONS (Continued):					
Uniform Fire Safety:					
Salaries and Wages	\$ 26,464.00	\$ 26,464.00	\$ 19,444.31	\$ 7,019.69	
Other Expenses	4,330.00	4,330.00	4,102.52	227.48	
Municipal Prosecutor:					
Other Expenses	26,000.00	27,000.00	27,000.00		
PUBLIC WORKS FUNCTIONS:					
Streets and Roads Maintenance:					
Salaries and Wages	1,231,648.00	1,243,148.00	1,240,013.18	3,134.82	
Other Expenses	346,750.00	396,750.00	389,836.74	6,913.26	
Recycling:					
Salaries and Wages	25,000.00	25,000.00	22,428.90	2,571.10	
Other Expenses	5,000.00	5,000.00	4,259.00	741.00	
Buildings and Grounds:					
Salaries and Wages	15,000.00	27,500.00	26,894.21	605.79	
Other Expenses	106,300.00	101,300.00	72,504.46	28,795.54	
Fleet Management:					
Salaries and Wages	253,078.00	255,578.00	254,586.77	991.23	
Other Expenses	180,500.00	180,500.00	174,963.75	5,536.25	
Municipal Services Act (Ch. 6, P.L. 1993):					
Other Expenses	540,000.00	495,000.00	482,160.17	12,839.83	
Environmental Commission (N.J.S.A.40:56A-1 etc.):					
Other Expenses	1,600.00	1,600.00	875.52	724.48	
Animal Control:					
Salaries and Wages	93,304.00	93,304.00	85,997.08	7,306.92	
Other Expenses	11,408.00	11,408.00	10,864.42	543.58	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(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>	
Operations Within "CAPS" (Continued):					
PUBLIC WORKS FUNCTIONS:					
Recreation Services and Programs:					
Salaries and Wages	\$ 70,875.00	\$ 70,875.00	\$ 66,033.93	\$ 4,841.07	
Other Expenses	11,200.00	11,200.00	8,485.75	2,714.25	
PARKS AND RECREATION FUNCTIONS:					
Senior Citizens:					
Salaries and Wages	31,940.00	31,940.00	30,206.69	1,733.31	
Other Expenses	63,820.00	63,820.00	56,493.00	7,327.00	
Maintenance of Parks:					
Salaries and Wages	118,862.00	118,862.00	115,638.76	3,223.24	
Other Expenses	25,000.00	25,000.00	24,370.25	629.75	
OTHER COMMON OPERATING FUNCTIONS:					
Municipal Court:					
Salaries and Wages	179,365.00	179,365.00	172,678.35	6,686.65	
Other Expenses	6,350.00	6,350.00	3,268.96	3,081.04	
UNIFORM CONSTRUCTION CODE:					
Construction Code Official:					
Salaries and Wages	414,068.00	404,068.00	400,157.83	3,910.17	
Other Expenses	10,000.00	10,000.00	7,591.57	2,408.43	
UTILITY EXPENSES AND BULK PURCHASES:					
Utilities	510,700.00	510,700.00	477,296.87	33,403.13	
Total Operations Within "CAPS"	14,188,554.00	14,187,554.00	13,467,084.70	720,469.30	
Detail:					
Salaries and Wages	7,453,786.00	7,468,786.00	7,298,447.96	170,338.04	
Other Expenses	6,734,768.00	6,718,768.00	6,168,636.74	550,131.26	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(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>	
DEFERRED CHARGES:					
Emergency Authorizations	\$ 1,600.00	\$ 1,600.00	\$ 1,600.00		
STATUTORY EXPENDITURES:					
Contributions to:					
Public Employees' Retirement System	436,591.00	436,591.00	436,591.00		
Social Security System (O.A.S.I.)	587,703.00	587,703.00	574,363.92	\$ 13,339.08	
Police and Firemen's Retirement System of NJ	748,068.00	748,068.00	748,068.00		
Defined Contribution Retirement Program	5,000.00	6,000.00	5,286.20	713.80	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	1,778,962.00	1,779,962.00	1,765,909.12	14,052.88	
Total General Appropriations for Municipal Purposes Within "CAPS"	15,967,516.00	15,967,516.00	15,232,993.82	734,522.18	
Operations Excluded from "CAPS":					
Employee Group Insurance (Health)					
Employee Group Health Insurance	139,191.00	139,191.00	139,191.00		
Sussex County Municipal Utility Authority:					
Capital Improvement/Service Agreement	771,009.00	771,009.00	771,009.00		
Interlocal Municipal Service Agreements:					
911 Communication Service:					
Salaries and Wages	76,000.00	76,000.00	76,000.00		
Other Expenses	9,000.00	9,000.00	8,971.60	28.40	
Animal Control Services					
Salaries and Wages	8,100.00	8,100.00	8,100.00		
Other Expenses	904.00	904.00	904.00		
Financial Services					
Salaries and Wages	49,200.00	49,200.00	45,720.00		3,480.00

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS" (Continued):					
Interlocal Municipal Service Agreements (Continued):					
Administrative Services					
Salaries and Wages	\$ 48,333.00	\$ 48,333.00	\$ 47,845.50	\$ 487.50	
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 - 2013 (N.J.S.A.40A:4-87 + \$7,739.62)		7,739.62	7,739.62		
Clean Communities Program: 2013 (N.J.S.A.40A:4-87 + \$49,148.50)		49,148.50	49,148.50		
Body Armor Grant:					
State Share	3,146.00	3,146.00	3,146.00		
NJ Division of Highway Traffic Safety:					
Drive Sober or Get Pulled Over (N.J.S.A.40A:4-87 + \$4,400.00)		4,400.00	4,400.00		
FEMA - Assistance to Firefighters Grant					
Federal Share (N.J.S.A.40A:4-87 + \$342,562.00)		342,562.00	342,562.00		
Local Share (N.J.S.A.40A:4-48 + \$38,063.00)		38,063.00	38,063.00		
NJ Department of Environmental Protection:					
No Net Loss Grant (N.J.S.A.40A:4-87 + \$30,642.00)		30,642.00	30,642.00		
Total Operations Excluded from "CAPS"	1,125,350.00	1,597,905.12	1,593,909.22	515.90	\$ 3,480.00
Detail:					
Salaries and Wages	181,633.00	181,633.00	177,665.50	487.50	3,480.00
Other Expenses	943,717.00	1,416,272.12	1,416,243.72	28.40	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS" (Continued):					
Capital Improvements-Excluded from "CAPS":					
Capital Improvement Fund	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00		
Total Capital Improvements Excluded from "CAPS"	400,000.00	400,000.00	400,000.00		
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Principal	1,365,000.00	1,365,000.00	1,337,700.00		\$ 27,300.00
Payment of Bond Anticipation Notes and Capital Notes	88,000.00	88,000.00	88,000.00		
Interest on Bonds	868,197.00	868,197.00	868,196.51		0.49
Interest on Notes	98,108.00	98,108.00	98,091.51		16.49
Loan Repayments for Principal and Interest (PVL Dam)	15,313.00	15,313.00	15,313.00		
Interest on Emergency Notes	8,400.00	8,400.00	8,400.00		
Bond Sinking Fund	150,000.00	150,000.00	150,000.00		
Capital Lease Obligations	10,690.00	10,690.00	9,798.36		891.64
Total Municipal Debt Service Excluded from "CAPS"	2,603,708.00	2,603,708.00	2,575,499.38		28,208.62
Deferred Charges:					
Special Emergency Authorizations - 5 Years					
(N.J.S.A. 40A:4-55):					
Codification of Ordinances	200,000.00	200,000.00	200,000.00		
Total Deferred Charges - Municipal - Excluded from "CAPS"	200,000.00	200,000.00	200,000.00		

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(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"	\$ 4,329,058.00	\$ 4,801,613.12	\$ 4,769,408.60	\$ 515.90	\$ 31,688.62
Subtotal General Appropriations	20,296,574.00	20,769,129.12	20,002,402.42	735,038.08	31,688.62
Reserve for Uncollected Taxes	2,380,467.00	2,380,467.00	2,380,467.00		
Total General Appropriations	<u>\$ 22,677,041.00</u>	<u>\$ 23,149,596.12</u>	<u>\$ 22,382,869.42</u>	<u>\$ 735,038.08</u>	<u>\$ 31,688.62</u>

Ref.

A

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Ref.</u>	<u>Analysis of</u>	
		<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>
Adopted Budget		\$ 22,677,041.00	
Added by:			
N.J.S.A. 40A:4-87		434,492.12	
Emergency Appropriations N.J.S.A. 40A:4-48		38,063.00	
		<u>\$ 23,149,596.12</u>	
Cash Disbursed			\$ 19,590,820.92
Reserve for Uncollected Taxes			2,380,467.00
Encumbrances	A		340,304.10
Accrued Payroll			59,168.14
Deferred Charges:			
Special Emergency Authorizations			200,000.00
Emergency Authorizations			1,600.00
Transfer to Appropriated Grant Reserves:			
Federal, State and Local Grants			496,168.12
			<u>23,068,528.28</u>
Less: Appropriation Refunds			<u>685,658.86</u>
			<u>\$ 22,382,869.42</u>

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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2013
TRUST FUNDS

TOWNSHIP OF VERNON
TRUST FUNDS
COMPARATIVE BALANCE SHEET

		December 31,	
	Ref.	2013	2012
<u>ASSETS</u>			
Assessment Trust Fund:			
Cash and Cash Equivalents	B-4	\$ 737,980.83	\$ 815,530.11
Due from Current Fund	A		65.48
Assessment Receivable	B-7	329,005.49	419,566.35
Assessment Liens	B-11	57,599.96	82,047.39
Assessment Liens Interest and Costs	B-12	906.16	3,159.67
		<u>1,125,492.44</u>	<u>1,320,369.00</u>
Animal Control Fund:			
Cash and Cash Equivalents	B-4	<u>88,264.40</u>	<u>76,173.80</u>
Other Trust Funds:			
Cash and Cash Equivalents		2,438,320.70	1,920,922.07
Investments		<u>15,000.00</u>	<u>15,000.00</u>
	B-4	<u>2,453,320.70</u>	<u>1,935,922.07</u>
Due from Current Fund	A	<u>9,855.13</u>	<u>18,364.57</u>
		<u>2,463,175.83</u>	<u>1,954,286.64</u>
Open Space Trust Fund:			
Cash and Cash Equivalents	B-4	<u>1,015,061.35</u>	<u>1,029,070.78</u>
<u>TOTAL ASSETS</u>		<u>\$ 4,691,994.02</u>	<u>\$ 4,379,900.22</u>
<u>LIABILITIES AND RESERVES</u>			
Assessment Trust Fund			
Serial Bonds Payable	B-9	\$ 270,082.90	\$ 297,382.90
New Jersey Department of Environmental Protection:			
Loan Payable	B-10	670,730.83	797,052.56
Reserve for:			
Assessment Escrow		6,095.25	6,612.05
Assessments and Liens	B-13	131,990.70	174,016.72
Assessment Liens Interest and Costs		906.16	3,159.67
Fund Balance	B-1	<u>45,686.60</u>	<u>42,145.10</u>
		<u>1,125,492.44</u>	<u>1,320,369.00</u>
Animal Control Fund:			
Reserve for Animal Control Expenditures	B-6	88,264.40	76,173.80

TOWNSHIP OF VERNON
TRUST FUNDS
COMPARATIVE BALANCE SHEET
(Continued)

	December 31,	
	2013	2012
<u>LIABILITIES AND RESERVES</u>		
Other Trust Funds:		
Due to State of New Jersey:		
Building Surcharge		\$ 4,184.00
Reserve for:		
Developers Escrow Deposits Payable	\$ 51,365.00	57,319.00
Planning Board Application Deposits	135,359.64	162,398.41
Unemployment	58,742.53	43,640.52
Deposit for Redemption	10,561.19	10,561.19
Recreation	144,289.44	162,328.24
Parking Offense Adjudication Act	274.00	228.00
Premiums on Tax Sale	1,032,800.00	468,800.00
M.A.C. Donations	8,660.27	8,660.27
Fire Prevention Penalties	9,030.93	144,030.93
Stream Clear Signs	4,875.58	4,875.58
Public Defender Fees	20,700.00	19,312.00
Police Outside Services	4,266.27	8,963.04
Senior Citizens Center	3,503.61	4,702.74
Compensated Absences	140,270.83	203,757.10
Small Cities Housing	1,733.00	1,733.00
Snow Removal	192,051.09	
Council on Affordable Housing	232,984.64	238,342.67
Developers Bonds	381,121.04	385,625.12
Pleasant Valley Dam Rehabilitation	5,586.20	5,577.88
Unclaimed Properties		853.25
Barry Lakes Dam	5,001.62	
Net Payroll and Payroll Deductions	2,789.33	2,841.24
Animal Control Donations	17,209.62	15,552.46
	<u>2,463,175.83</u>	<u>1,954,286.64</u>
Open Space Trust Fund:		
Reserve for Open Space	1,015,061.35	1,029,070.78
<u>TOTAL LIABILITIES AND RESERVES</u>	<u>\$ 4,691,994.02</u>	<u>\$ 4,379,900.22</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, 2012	B	\$ 42,145.10
Increased by:		
Assessment Lien Redemption		<u>13,541.50</u>
		55,686.60
Decreased by:		
Due to Current Fund:		
Anticipated Revenue		<u>10,000.00</u>
Balance December 31, 2013	B	<u><u>\$ 45,686.60</u></u>

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

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE
YEAR ENDED DECEMBER 31, 2013

	<u>Budget Revenue</u>	<u>Realized</u>	<u>Excess/ Deficit*</u>
Assessment Cash	\$ 153,621.73	\$ 153,621.73	\$ -0-

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2013

	<u>Budget</u>	<u>Paid or Charged</u>	<u>Unexpended Balance Canceled</u>
Payment of Bond/Loan Principal	\$ 153,621.73	\$ 153,621.73	\$ -0-

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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2013
GENERAL CAPITAL FUND

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

		December 31,	
	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>			
Cash and Cash Equivalents		\$ 635,813.13	\$ 1,577,453.68
Investments		401,370.64	400,000.00
	C-2	<u>1,037,183.77</u>	<u>1,977,453.68</u>
Deferred Charges to Future Taxation:			
Funded		21,520,917.10	22,858,617.10
Unfunded	C-4	<u>9,370,898.00</u>	<u>9,458,898.00</u>
<u>TOTAL ASSETS</u>		<u>\$ 31,928,998.87</u>	<u>\$ 34,294,968.78</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 21,520,917.10	\$ 22,858,617.10
Bond Anticipation Notes Payable	C-7	7,604,000.00	7,292,000.00
Improvement Authorizations:			
Funded	C-5	188,748.36	363,715.06
Unfunded	C-5	1,993,917.59	2,558,483.76
Capital Improvement Fund	C-6	66,645.36	80,237.65
Bond Sinking Fund		150,000.00	
Reserve for:			
Encumbrances		149,793.15	936,139.24
Payment of Debt Service		412.66	412.66
Capital Projects		407.50	407.50
Fund Balance	C-1	<u>254,157.15</u>	<u>204,955.81</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 31,928,998.87</u>	<u>\$ 34,294,968.78</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, 2012	C	\$ 204,955.81
Increased by:		
Premium on Sale of Notes		\$ 13,838.10
Improvement Authorizations Canceled		<u>250,363.24</u>
		<u>264,201.34</u>
		469,157.15
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>215,000.00</u>
Balance December 31, 2013	C	<u>\$ 254,157.15</u>

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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2013
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2013
SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2013
GENERAL FIXED ASSETS ACCOUNT GROUP

TOWNSHIP OF VERNON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET

	December 31,	
	2013	(Restated) 2012
<u>ASSETS</u>		
Land and Land Improvements	\$ 6,776,403.00	\$ 6,236,103.00
Buildings and Building Improvements	2,228,123.75	2,227,791.65
Machinery and Equipment	12,101,494.20	11,147,865.32
<u>TOTAL ASSETS</u>	<u>\$ 21,106,020.95</u>	<u>\$ 19,611,759.97</u>
 <u>RESERVES</u>		
Reserve for General Fixed Assets	\$ 21,106,020.95	\$ 19,611,759.97
<u>TOTAL RESERVES</u>	<u>\$ 21,106,020.95</u>	<u>\$ 19,611,759.97</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, 2013

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, first aid squads and municipal utility authority.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, 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 and a resulting financial benefit or burden relationship, 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 Governmental Accounting Standards Board's 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 practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such 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.

General Fixed Assets 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, 2013
(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 more significant accounting 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 would be depreciated.

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

- 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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

(Continued)

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

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 \$140,270.83 on the Trust Fund balance sheet at December 31, 2013.

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:

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 and General Capital Fund.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

The values recorded in the General Fixed Asset Account Group and the Current and General Capital 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.

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for the Current 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.

	December 31,		
	2013	2012	2011
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 29,124,917.10	\$ 30,150,617.10	\$ 24,502,817.10
Assessment Trust:			
Bonds, Loans and Notes	940,813.73	1,094,435.46	1,226,068.15
Sewer Utility:			
Bonds, Loans and Notes			2,775,000.00
Net Debt Issued	<u>30,065,730.83</u>	<u>31,245,052.56</u>	<u>28,503,885.25</u>
Less - Funds Temporarily Held to Pay			
Bonds, Notes and Loans:			
Reserve to Pay Debt Service - General	412.66	412.66	412.66
Assessment Trust Cash	686,198.98	766,838.44	802,149.30
Total Deductions	<u>686,611.64</u>	<u>767,251.10</u>	<u>802,561.96</u>
Net Issued	<u>29,379,119.19</u>	<u>30,477,801.46</u>	<u>27,701,323.29</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	<u>1,766,898.00</u>	<u>2,166,898.00</u>	<u>6,475,898.00</u>
Total Authorized but not Issued	<u>1,766,898.00</u>	<u>2,166,898.00</u>	<u>6,475,898.00</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 31,146,017.19</u>	<u>\$ 32,644,699.46</u>	<u>\$ 34,177,221.29</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

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 Revised Annual Debt Statement and indicates a statutory net debt of 1.15%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 16,997,000.00	\$ 16,997,000.00	
General Debt	30,891,815.10	412.66	\$ 30,891,402.44
Assessment Trust Debt	940,813.73	686,198.98	254,614.75
	<u>\$ 48,829,628.83</u>	<u>\$ 17,683,611.64</u>	<u>\$ 31,146,017.19</u>

Net Debt of \$31,146,017.19 divided by Equalized Valuation Basis Per N.J.S. 40A:2-2 as Amended, \$2,699,001,442 = 1.15%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 94,465,050.46
Net Debt	<u>31,146,017.19</u>
Remaining Borrowing Power	<u>\$ 63,319,033.27</u>

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

Summary of Municipal Debt Issued and Outstanding – Current Year and Prior Year

	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/13</u>
Serial Bonds:				
General Capital Fund	\$22,858,617.10		\$ 1,337,700.00	\$21,520,917.10
Assessment Trust Fund	297,382.90		27,300.00	270,082.90
Loans Payable:				
Assessment Trust Fund:				
NJ DEP Loan	797,052.56		126,321.73	670,730.83
Bond Anticipation/Emergency Notes:				
Current Fund	800,000.00	\$ 600,000.00	800,000.00	600,000.00
General Capital Fund	7,292,000.00	7,604,000.00	7,292,000.00	7,604,000.00
	<u>32,045,052.56</u>	<u>8,204,000.00</u>	<u>9,583,321.73</u>	<u>30,665,730.83</u>
Capital Lease Payable	43,944.51		7,446.74	36,497.77
Total	<u>\$32,088,997.07</u>	<u>\$ 8,204,000.00</u>	<u>\$ 9,590,768.47</u>	<u>\$30,702,228.60</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Current Year and Prior Year (Cont'd)

	Balance 12/31/11	Additions	Retirements	Balance 12/31/12
Serial Bonds:				
General Capital Fund	\$21,519,817.10	\$ 2,750,000.00	\$ 1,411,200.00	\$22,858,617.10
Assessment Trust Fund	305,182.90		7,800.00	297,382.90
Sewer Utility Capital Fund	2,775,000.00		2,775,000.00	
Loans Payable:				
Assessment Trust Fund:				
NJ DEP Loan	920,885.25		123,832.69	797,052.56
Bond Anticipation/Emergency Notes:				
Current Fund	1,210,000.00	800,000.00	1,210,000.00	800,000.00
General Capital Fund	2,983,000.00	7,292,000.00	2,983,000.00	7,292,000.00
	<u>29,713,885.25</u>	<u>10,842,000.00</u>	<u>8,510,832.69</u>	<u>32,045,052.56</u>
Capital Lease Payable		43,944.51		43,944.51
Total	<u>\$29,713,885.25</u>	<u>\$10,885,944.51</u>	<u>\$ 8,510,832.69</u>	<u>\$32,088,997.07</u>

Analysis of Debt Issued and Outstanding at December 31, 2013

General Capital Serial Bonds Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>
General Improvement Bonds of 2006	01/01/21	3.85%-3.90%	\$ 6,635,917.10
General Bonds of 2011	01/01/26	3.00%-4.57%	12,160,000.00
Improvement to Sanitary Sewage System	01/01/33	4.25%-4.40%	2,725,000.00
			<u>\$ 21,520,917.10</u>

Assessment Trust Serial Bonds Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>
General Improvement Bonds of 2006	01/01/21	3.85%-3.90%	<u>\$ 270,082.90</u>

Assessment Trust NJ DEP Loan Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>
Pleasant Valley Dam Rehabilitation	07/14/18	2.00%	<u>\$ 670,730.83</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

Analysis of Debt Issued and Outstanding at December 31, 2013 (Cont'd)

<u>General Capital Bond Anticipation Notes Payable</u>			
Description	Final Maturity	Interest Rate	Balance Dec. 31, 2013
Various Capital Improvements	05/28/14	1.25%	\$ 1,527,000.00
Various Emergency Services Purposes	05/28/14	1.25%	1,368,000.00
Acquisition of Sanitary Sewerage Collection and Transmission Facilities	03/28/14	0.75%	3,809,000.00
Restructuring of a Portion of the Cost of Acquisition of Capacity at the Sanitary Sewage Treatment Plant of the Sussex County Municipal Utilities Authority	10/31/14	1.00%	900,000.00
			<u>\$ 7,604,000.00</u>

<u>Current Fund Special Emergency Notes Payable</u>			
Description	Final Maturity	Interest Rate	Balance Dec. 31, 2013
Special Emergency	09/19/14	0.49%	<u>\$ 600,000.00</u>
Total Debt Issued and Outstanding			<u>\$ 30,665,730.83</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, 2013, 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, 2013
(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		Assessment Trust		Total
	Principal	Interest	Principal	Interest	
2014	\$ 1,425,750.00	\$ 809,569.55	\$ 158,110.80	\$ 22,625.72	\$ 2,416,056.07
2015	1,513,800.00	758,833.21	162,650.89	18,871.96	2,454,156.06
2016	1,654,900.00	704,046.99	169,193.05	14,953.51	2,543,093.55
2017	1,724,900.00	644,516.59	171,888.32	10,906.89	2,552,211.80
2018	1,814,900.00	580,992.94	174,637.77	6,806.10	2,577,336.81
2019-2023	7,941,667.10	1,904,632.84	104,332.90	6,030.66	9,956,663.50
2024-2028	4,445,000.00	564,356.00			5,009,356.00
2029-2033	1,000,000.00	110,000.00			1,110,000.00
	<u>\$21,520,917.10</u>	<u>\$ 6,076,948.12</u>	<u>\$ 940,813.73</u>	<u>\$ 80,194.84</u>	<u>\$27,508,873.79</u>

Capital Leases Payable

The Township entered into a lease purchase agreement for the upgrade of the Township's telecommunication system. This capital lease has a term of five years. The following is a schedule of the future minimum lease payments at December 31, 2013.

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2014	\$ 10,689.12
2015	10,689.12
2016	10,689.12
2017	10,693.96
Total minimum lease payments	42,761.32
Less: Amount representing interest	(6,263.55)
	<u>\$ 36,497.77</u>

Note 3: Fund Balances Appropriated

Fund balance at December 31, 2013, which is appropriated and included in the Current Fund budget for the year ending December 31, 2014, is as follows:

Current Fund	\$ 1,200,000.00
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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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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. Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. 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 a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" 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, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined. For PERS, the contribution rate was 6.64% of base salary effective July 1, 2012 and increased to 6.78% effective July 1, 2013. Increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in both funds. The actuarially determined employer contribution includes funding for cost-of- living adjustments and noncontributory death benefits. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. 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 \$436,591.00, \$489,635.00 and \$419,275.00 for 2013, 2012 and 2011, respectively. Township contributions to PFRS amounted to \$748,068.00, \$778,882.00 and \$825,634.00 for 2013, 2012 and 2011, respectively.

Township contributions to DCRP amounted to \$5,286.20, \$4,911.11 and \$1,444.11 for 2013, 2012 and 2011, respectively. Employee contributions to DCRP amounted to \$9,594.44, \$8,902.30 and \$2,882.23 for 2013, 2012 and 2011, respectively.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(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 \$745,864.04. 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 \$140,270.83 on the Trust Fund balance sheet at December 31, 2013.

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

	2013	2012	2011
<u>Tax Rate</u>	\$ 2.629	\$ 2.648	\$ 2.614
<u>Apportionment of Tax Rate</u>			
Municipal	.574	.583	.595
County	.488	.486	.474
Local School	1.567	1.579	1.545
<u>Assessed Valuations</u>			
2013	\$ 2,695,008,717.00		
2012		\$ 2,705,468,370.00	
2011			\$ 2,740,822,752.00

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.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2013	\$ 71,052,498.31	\$ 68,401,826.25	96.26%
2012	71,775,860.71	69,371,623.69	96.65%
2011	71,706,637.83	69,360,042.96	96.72%

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(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.

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 in addition

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;

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

Investments (Cont'd)

- (2) Government money market mutual funds;
- (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, 2013, cash and cash equivalents and investments of the Township of Vernon consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Certificates of Deposits</u>	<u>Totals</u>
Current	\$ 775.00	\$ 5,512,831.49	\$ 201,170.32	\$ 5,714,776.81
Assessment Trust		737,980.83		737,980.83
Animal Control		88,264.40		88,264.40
Other Trust		2,438,320.70	15,000.00	2,453,320.70
Open Space Trust		1,015,061.35		1,015,061.35
General Capital		635,813.13	401,370.64	1,037,183.77
	<u>\$ 775.00</u>	<u>\$ 10,428,271.90</u>	<u>\$ 617,540.96</u>	<u>\$ 11,046,587.86</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

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

The Township has \$617,540.96 of investments in the form of certificates of deposits as of the year ended December 31, 2013. The carrying amount of the Township's cash and cash equivalents and investments at year end was \$11,046,587.86 and the bank balance was \$11,606,410.35. The carrying amount of the Township's cash and cash equivalents and investments at December 31, 2012 was \$12,285,013.07 and the bank balance was \$13,067,931.06.

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, dental coverage through Delta Dental and vision coverage through VSP.

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 and blanket employees crime coverage. 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, 2013 audit report was not available as of the date of this report. Selected, summarized financial information for the Fund as of December 31, 2012 is as follows:

Total Assets	\$ 35,903,110
Net Position	\$ 4,749,231
Total Revenue	\$ 23,147,328
Total Expenses	\$ 22,992,413
Change in Net Position	\$ 154,915
Members Dividends	\$ -0-

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(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>
2013	\$ 15,000.00	\$ 17,164.07	\$ 62.34	\$ 17,124.40	\$ 58,742.53
2012	5,000.00	15,904.57	42.63	76,084.20	43,640.52
2011	80,000.00	15,599.48	127.64	57,016.77	98,777.52

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:

- Officers who were hired prior to January 1, 1999 who retire within the meaning of the PFRS (Police and Firemen's Retirement System) shall receive health benefits paid for by the Township of Vernon (the "Township") for themselves and eligible dependents at the same level of benefits, including co-pays and other out-of-pocket limits that were in effect as of the date immediately preceding retirement. For all retirees who are eligible for medical benefits, Medicare shall become primary for the retiree and the Township insurance secondary when the retiree is eligible for Medicare. If the retiree is not eligible for Medicare, the Township's insurance shall remain as primary.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 10: Post Retirement Benefits (Cont'd)

Plan Description (Cont'd)

1. Bargaining Unit Employees (Cont'd)

A. New Jersey State Policemen's Benevolent Association Local No. 285 (Cont'd)

2. Officers who were hired on or after January 1, 1999 who retire within the meaning of the PFRS and have at least 15 years of full time service to the Township shall receive health benefits paid for by the Township for themselves and eligible dependents at the same level of benefits, including co-pays and other out-of-pocket limits, that were in effect as of the date immediately preceding retirement. For all retirees who are eligible for medical benefits, Medicare shall become primary for the retiree and the Township insurance secondary when the retiree is eligible for Medicare. If the retiree is not eligible for Medicare, the Township's insurance shall remain as primary.
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's insurance plan in exchange for cash payment equal to one-half (1/2) of the savings on the costs to the Township 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 by the Township of Vernon (the "Township") as of December 31, 2011, 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 of 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, 2011, 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, 2013
(Continued)

Note 10: Post Retirement Benefits (Cont'd)

Plan Description (Cont'd)

1. Bargaining Unit Employees (Cont'd)

B. U.A.W. Local No. 2326 (Cont'd)

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 26 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 (Public Employees' Retirement System) 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, 2013
(Continued)

Note 10: Post Retirement Benefits (Cont'd)

Plan Description (Cont'd)

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

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.

P.L. 2011 c.78 requires non-bargaining employees that retire after June 28, 2011 and receive employer paid health benefits to make a health benefits contribution, paid to their employer as a deduction from their retirement benefit. However, P.L. 2011 c. 78 requirement for retiree health insurance contributions does not apply to employees that have 20 years or more of service in a state or local retirement system as of June 28, 2011 and meet the eligibility requirements of the employer.

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.

The Township's portion of post-retirement benefits is funded on a pay-as-you-go basis from the Current Fund operating budget. During 2013, 2012 and 2011, the Township had approximately 150, 137 and 143 employees, respectively, who met eligibility requirements and recognized expenses of approximately \$974,398, \$940,509 and \$1,112,642 in 2013, 2012 and 2011, respectively.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 10: Post Retirement Benefits (Continued)

Annual OPEB Cost per Actuarial Valuation

The Township's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer. The Township has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities over a period not to exceed 30 years.

Benefit Obligations and Normal Cost

	2013	2012	2011
Actuarial Accrued Liability (AAL)			
Retired employees	\$25,186,887.00	\$16,684,005.00	\$16,442,980.00
Active employees	2,868,531.00	4,394,965.00	4,331,473.00
Actuarial Value of Plan Assets	-0-	-0-	-0-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$28,055,418.00</u>	<u>\$21,078,970.00</u>	<u>\$20,774,453.00</u>
Normal cost (with interest) at year end	\$ 252,109.00	\$ 207,150.00	\$ 207,150.00
Amortization factor based on 30 years	\$ 1,722,365.00	\$ 702,632.00	\$ 692,482.00
Covered Payroll (Active Plan Members as of December 31)	\$ 6,404,585.00	\$ 6,485,040.00	\$ 6,338,430.00
UAAL as a Percentage of Covered Payroll as of December 31	438.05%	325.04%	327.75%

Level Dollar Amortization

Calculation of ARC under Projected Unit Credit Cost Method

	2013	2012	2011
ARC normal cost with interest at end of year	\$ 252,109.00	\$ 207,150.00	\$ 207,150.00
Amortization of unfunded actuarial accrued liability (UAAL) over 30 years with interest at year end	<u>1,722,365.00</u>	<u>702,632.00</u>	<u>692,482.00</u>
Annual Required Contribution (ARC)	1,974,474.00	909,782.00	899,632.00
Interest on net OPEB obligation	-0-	-0-	-0-
Adjustment to ARC	-0-	-0-	-0-
Annual OPEB cost (expense)	1,974,474.00	909,782.00	899,632.00
Pay as you go benefits	<u>(690,856.00)</u>	<u>(828,171.00)</u>	<u>(759,790.00)</u>
Net OPEB expense at December 31	1,283,618.00	81,611.00	139,842.00
Prior Year	<u>1,109,141.00</u>	<u>1,027,530.00</u>	<u>887,688.00</u>
Net OPEB obligation at December 31	<u>2,392,759.00</u>	<u>1,109,141.00</u>	<u>1,027,530.00</u>
Unfunded actuarial accrued liability (December 31, 2011)			<u>\$20,774,453.00</u>
Unfunded actuarial accrued liability (December 31, 2012)			<u>\$21,078,970.00</u>
Unfunded actuarial accrued liability (December 31, 2013)			<u>\$28,055,418.00</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 10: Post Retirement Benefits (Cont'd)

Funding Status and Funding Progress

As of December 31, 2013, the actuarial accrued liability for benefits was \$28,055,418, all of which is unfunded.

Actuarial Valuations

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.

In the 2013 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, 2013.

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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 11: Contingencies (Cont'd)

In addition, 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, 2013:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund		\$ 275,044.95
Federal and State Grant Fund	\$ 265,189.82	
Other Trusts Fund	9,855.13	
	<u>\$ 275,044.95</u>	<u>\$ 275,044.95</u>

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. The interfund receivable in the Other Trust Funds represents an interfund advanced to the Current Fund, a Township contribution to unemployment and a prior year interfund.

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, 2013 and 2012:

	(Restated) Balance Dec. 31, 2012	Additions/ Adjustments	Deletions	Balance Dec. 31, 2013
Land & Land Improvements	\$ 6,236,103.00	\$ 652,700.00	\$ 112,400.00	\$ 6,776,403.00
Buildings & Building Improvements	2,227,791.65	332.10	(332.10)	2,228,455.85
Machinery and Equipment	11,147,865.32	1,224,351.94	270,723.06	12,101,494.20
	<u>\$ 19,611,759.97</u>	<u>\$ 1,877,384.04</u>	<u>\$ 382,790.96</u>	<u>\$ 21,106,353.05</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 14: Fixed Assets (Cont'd)

	Balance Dec. 31, 2011	Additions/ Adjustments	Deletions	(Restated) Balance Dec. 31, 2012
Land & Land Improvements	\$ 4,011,803.00	\$ 2,224,300.00		\$ 6,236,103.00
Buildings & Building Improvements	2,227,791.65			2,227,791.65
Machinery and Equipment	10,844,418.73	466,480.47	\$ 163,033.88	11,147,865.32
	<u>\$ 17,084,013.38</u>	<u>\$ 2,690,780.47</u>	<u>\$ 163,033.88</u>	<u>\$ 19,611,759.97</u>

Note 15: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2013, the following deferred charges are shown on the balance sheet of the Current Fund:

	Balance Dec. 31, 2013	Required 2014 Budget Appropriation	Balance to Succeeding Years' Budgets
Current Fund:			
Special Emergency Authorizations (N.J.S.A. 40A:4-53)	\$ 600,000.00	\$ 200,000.00	\$ 400,000.00
Emergency Appropriations (N.J.S.A. 40A:4-55)	38,063.00	38,063.00	-0-

The appropriation in the 2014 budget is not less than that required by statute.

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 plan are not available to employees until termination, retirement, death or unforeseeable emergency.

Note 17: Prior Year Adjustment

The balance sheet for the General Fixed Assets Account Group was restated to include foreclosed properties owned by the Township, which were not recorded in the fixed assets records in 2012.

	Balance 12/31/12	Retroactive Adjustments	Balance 12/31/12 Restated
Assets:			
Land & Land Improvements	\$ 4,011,803.00	\$ 2,224,300.00	\$ 6,236,103.00
Reserves:			
Reserve for General Fixed Assets	17,387,459.97	2,224,300.00	19,611,759.97

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013
(Continued)

Note 18: Related Parties Transactions

The Township of Vernon has a shared services agreement with the Vernon Township Municipal Utility Authority (the "Authority") for Chief Financial Officer and Administrative Assistant services. Also, the Township of Vernon collects sewer rent receipts on the Authority's behalf.

TOWNSHIP OF VERNON

SUPPLEMENTARY DATA

TOWNSHIP OF VERNON
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2013

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		
Patrick Rizzuto	Council President		
Edward Dunn	Councilmember		
Brian Lynch	Councilmember		
Daniel Kadish	Councilmember		
Richard Wetzel	Councilmember		
Gerald J. Giaimis	Business Administrator (to 07/09/13)		
William Zuckermann	Business Administrator (from 08/01/13)		
Susan Nelson	Municipal Clerk		
Andrea Bates	Deputy Clerk		
Antoinette Izzo	Tax Collector	*	*
William Zuckermann	Chief Financial Officer (to 07/31/13)	*	*
Elke Yetter	Chief Financial Officer (from 08/01/13)	*	*
James Devine	Magistrate	*	*
Donna Zuidema	Court Administrator	*	*
Lindsay Miller	Deputy Court Administrator	*	*
Thomas Pinand	Construction Official		
Thomas Maellaro	Animal Control Officer		
Roy Wherry	Police Chief (to 10/31/13)		
Arthur R. Mills	Police Chief (from 11/01/13)		
Kelly & Ward	Attorney		
John Ursin	Special Counsel		
Richard Wenner	Special Labor Counsesl		
Michael Hanifan	Prosecutor		
Lynne Schweighardt	Tax Assessor		
Melissa Wiedbrauk	Director of Community Affairs		

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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2013
CURRENT FUND

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2012	A	\$ 6,450,087.63
Increased by Receipts:		
Tax Collector	\$ 70,324,083.16	
Revenue Accounts Receivable	4,234,480.66	
Due to State of N.J.:		
Veterans and Senior Citizens' Deductions	197,177.40	
Marriage License	2,775.00	
Civil Union	25.00	
Nonbudget Revenue	394,247.12	
2013 Appropriation Refunds	685,658.86	
Interest on Investments and Deposits	14,427.63	
Special Emergency Notes	600,000.00	
Due to Federal and State Grant Fund:		
Federal and State Grants Receivable	438,130.32	
Unappropriated Grant Reserves	13,433.68	
Receivable due from:		
Vernon Township MUA	136.84	
Mountain Creek Resort Inc.	531.25	
Ameripay	893.54	
Due to Wantage Township Fire Prevention	2,860.00	
Reserve for:		
Damages from Hurricane Irene and Tropic Storm Lee	862.35	
Hurricane Irene Expenditures	150,607.47	
		<u>77,060,330.28</u>
		83,510,417.91

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.

Decreased by Disbursements:

2013 Appropriation Expenditures	\$ 19,590,820.92
2012 Appropriation Reserves	790,403.26
Special Emergency Notes	800,000.00
Due to State of NJ:	
Marriage License	2,525.00
Civil Union	25.00
Due from Federal and State Grant Fund:	
Appropriated Grant Reserves	289,484.80
Prior Year Encumbrances	46,341.53
Due from Assessment Trust Fund:	
Settlement of Prior Year Interfund	65.48
Due to Other Trust Funds:	
Settlement of Prior Year Interfund	8,509.44
Local School District Taxes	42,251,468.00
County Taxes	13,126,029.11
Accrued Payroll	347,292.31
Refund of Tax Overpayments	14,518.25
Refund of Prior Year Taxes	2,452.01
Due to Wantage Township Fire Prevention	2,430.00
Payments on Behalf of:	
Vernon Township MUA	157.16
Pleasant Valley Lake Dam Association	12,164.06
Reserve for:	
Revaluation	23,412.50
Damages from Hurricane Irene and Tropical Storm Lee	16,094.43
Hurricane Irene Expenditures	11,423.23
Prior Year Encumbrances Liquidated:	
Reserve for:	
Revaluation	2,500.00
Damages from Hurricane Irene and	
Tropical Storm Lee	419,176.00
Insurance Claims for Lightning Storm Damage	39,123.61

\$ 77,796,416.10

Balance December 31, 2013

A

\$ 5,714,001.81

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2013

Increased by Receipts:

Taxes Receivable	\$ 69,533,282.41	
Tax Title Liens Redemption	19,842.17	
2014 Prepaid Taxes	405,952.05	
Interest and Costs on Taxes	341,089.87	
Miscellaneous Revenue Not Anticipated	2,689.00	
Tax Overpayments	<u>21,227.66</u>	
		\$ 70,324,083.16

Decreased by:

Payments to Treasurer		<u>\$ 70,324,083.16</u>
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TOWNSHIP OF VERNON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF CASH
YEAR ENDED DECEMBER 31, 2013

NOT APPLICABLE

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

Year	Balance Dec. 31, 2012	2013 Levy	Collections		Overpayments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2013
			2012	2013					
2011	\$ 261.40			\$ 261.40					
2012	1,690,038.68			1,633,721.54			\$ 1,268.39	\$ 55,048.75	
	1,690,300.08			1,633,982.94			1,268.39	55,048.75	
2013		\$ 71,052,498.31	\$ 291,932.13	67,899,299.47	\$ 3,339.18	\$ 207,255.47	339,439.90	481,285.77	\$ 1,829,946.39
	\$ 1,690,300.08	\$ 71,052,498.31	\$ 291,932.13	\$ 69,533,282.41	\$ 3,339.18	\$ 207,255.47	\$ 340,708.29	\$ 536,334.52	\$ 1,829,946.39

Ref.

A

A

	\$ 1,881.50	Transferred from Operations
	1,457.68	Prior Year Overpayments Applied
	<u>\$ 3,339.18</u>	

Analysis of 2013 Property Tax Levy:

Tax Yield:

General Purpose Tax	\$ 70,851,784.54
Added Taxes (54:4-63.1 et seq.)	<u>200,713.77</u>

\$ 71,052,498.31

Tax Levy:

Local School District Taxes	\$ 42,251,468.00
-----------------------------	------------------

County Taxes:

General Taxes	\$ 13,101,168.36
Due County for Added and Omitted Taxes	<u>36,992.21</u>

13,138,160.57

Local Tax for Municipal Purposes	15,484,096.00
Additional Taxes Levied	<u>178,773.74</u>

15,662,869.74\$ 71,052,498.31

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2012	A	\$ 3,570,147.79
Increased by:		
Transfer from Taxes Receivable		\$ 536,334.52
Interest and Costs on Tax Sale		<u>9,686.11</u>
		<u>546,020.63</u>
		4,116,168.42
Decreased by:		
Tax Title Lien Redeemed		19,842.17
Cancelled - Foreclosure		<u>215,279.36</u>
		<u>235,121.53</u>
Balance December 31, 2013	A	<u>\$ 3,881,046.89</u>

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2013

	<u>Accrued In</u> <u>2013</u>	<u>Collected by</u> <u>Treasurer</u>
Alcoholic Beverages Licenses	\$ 11,033.08	\$ 11,033.08
Fees and Permits	120,547.99	120,547.99
Municipal Court:		
Fines and Costs	135,232.80	135,232.80
Recycling Receipts	108,942.92	108,942.92
Energy Receipts Taxes	1,862,248.00	1,862,248.00
Watershed Moratorium Aid	294,455.00	294,455.00
Uniform Construction Code Fees	361,699.00	361,699.00
Interlocal Service Agreement - 911 Communications:		
Township of Wantage	70,000.00	70,000.00
Borough of Sussex	16,053.00	16,053.00
Interlocal Service Agreement - Animal Control:		
Borough of Sussex	10,879.75	10,879.75
Interlocal Service Agreement - Financial Services:		
Borough of Sussex	19,200.00	19,200.00
Vernon Township MUA	26,520.00	26,520.00
Interlocal Service Agreement - QPA:		
Borough of Sussex	5,079.00	5,079.00
Interlocal Service Agreement - Administrative:		
Vernon MUA	45,000.00	45,000.00
Uniform Fire Safety Act	30,566.34	30,566.34
Assessment Trust Surplus	10,000.00	10,000.00
Lot Development Plan	3,400.00	3,400.00
Hotel Occupancy Fee	250,908.58	250,908.58
Interest on Pleasant Valley Lake Dam Loan	15,313.00	15,313.00
SCMUA Bill to be Repaid by VTMUA	837,402.20	837,402.20
	<u>\$ 4,234,480.66</u>	<u>\$ 4,234,480.66</u>

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

	Balance Dec. 31, 2012	Budget Revenue Realized	Received	Transferred From Unappropriated Reserves	Cancelled	Balance Dec. 31, 2013
Municipal Alliance on Alcoholism and Drug Abuse:						
2012	\$ 8,029.50		\$ 8,020.53		\$ 8.97	
2013		\$ 20,467.00	11,714.65			\$ 8,752.35
Body Armor Replacement Grant:						
Federal - 2009	344.82					344.82
State - 2011		106.02		\$ 106.02		
State - 2012		3,039.98	0.57	3,039.41		
Drunk Driving Enforcement Fund:						
2012	8,948.00		6,438.62		2,509.38	
2013		7,739.62	7,739.62			
Clean Communities Grant:						
2011	125.83		125.83			
2013		49,148.50	49,148.50			
Safe and Secure Communities Program:						
2011	53,818.00		53,818.00			
2012	53,818.00		53,818.00			
NJ Division of Highway Traffic Safety:						
Drive Sober or Get Pulled Over - 2013		4,400.00	4,400.00			
NJ Highlands Water Protection & Planning Council:						
Highlands Plan Conformance Grant	14,243.25					14,243.25
Recreational Opportunities for Individuals with Disabilities Grant:						
2012	5,000.00		5,000.00			
N.J. Transportation Trust Fund Authority Act:						
Municipal Aid Program						
2010 - Maple Grange/Lounsberry Hollow/County Rte 517	50,000.00		50,000.00			
FEMA - Assistance to Firefighters Grant		342,562.00	187,906.00			154,656.00
NJ Department of Environmental Protection:						
No Net Loss Grant Reforestation Grant - 2013		30,642.00				30,642.00
	<u>\$ 194,327.40</u>	<u>\$ 458,105.12</u>	<u>\$ 438,130.32</u>	<u>\$ 3,145.43</u>	<u>\$ 2,518.35</u>	<u>\$ 208,638.42</u>
Ref.	A					A
Federal Grants			\$ 242,306.00			
State Grants			195,824.32			
			<u>\$ 438,130.32</u>			

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF 2012 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2013

	Balance Dec. 31, 2012	Balance After Modification	Paid or Charged	Balance Lapsed
GENERAL GOVERNMENT:				
Administrative & Executive:				
Salaries and Wages	\$ 7,900.75	\$ 7,900.75		\$ 7,900.75
Other Expenses	9,812.24	9,812.24	\$ 1,639.82	8,172.42
Mayor and Council:				
Salaries and Wages	29,827.42	22,827.42		22,827.42
Other Expenses	199.28	199.28	64.13	135.15
Township Clerk:				
Salaries and Wages	8,035.60	8,035.60		8,035.60
Other Expenses	2,137.94	2,137.94	589.61	1,548.33
Financial Administration:				
Salaries and Wages	1,226.96	1,226.96		1,226.96
Other Expenses	8,548.16	8,548.16	1,214.53	7,333.63
Annual Audit	41,000.00	41,000.00	41,000.00	
Technology:				
Other Expenses	4,953.72	4,953.72	4,265.00	688.72
Revenue Administration:				
Salaries and Wages	1,085.09	1,085.09		1,085.09
Other Expenses	18,884.80	18,884.80	2,034.69	16,850.11
Tax Assessment Administration:				
Salaries and Wages	20,324.36	20,324.36		20,324.36
Other Expenses	7,437.97	7,437.97	1,775.38	5,662.59
Legal Services:				
Other Expenses	63,513.71	63,513.71	33,745.84	29,767.87
Engineering Services:				
Other Expenses	28,527.87	28,527.87	11,278.75	17,249.12
Historic Preservation:				
Other Expenses	1,966.70	1,966.70	1,316.25	650.45
LAND USE ADMINISTRATION:				
Land Use Board:				
Salaries and Wages	2,544.85	2,544.85		2,544.85
Other Expenses	60,225.65	60,225.65	7,186.45	53,039.20
INSURANCE:				
General Liability	15,714.67	15,714.67	6,715.27	8,999.40
Workers Compensation Insurance	3,567.11	3,567.11		3,567.11
Employees Group Insurance (Health)	112,108.97	112,108.97		112,108.97
Health Benefit Waiver	9,592.50	9,592.50		9,592.50
PUBLIC SAFETY FUNCTIONS:				
Police Department:				
Salaries and Wages	2,458.41	10,458.41	8,000.00	2,458.41
Other Expenses	22,196.84	22,196.84	18,751.00	3,445.84

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF 2012 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2013
(Continued)

	Balance Dec. 31, 2012	Balance After Modification	Paid or Charged	Balance Lapsed
PUBLIC SAFETY FUNCTIONS:				
Township Radio and Communications:				
Salaries and Wages	\$ 15,405.59	\$ 7,405.59		\$ 7,405.59
Other Expenses	1,600.00	1,600.00		1,600.00
Volunteer Emergency Services:				
Other Expenses	76,318.52	76,318.52	\$ 71,172.75	5,145.77
Uniform Fire Safety Act:				
Salaries and Wages	2,700.00	2,700.00		2,700.00
Other Expenses	1,100.70	1,100.70	1,010.64	90.06
Municipal Prosecutor				
Other Expenses	3,166.74	3,166.74	2,166.66	1,000.08
PUBLIC WORKS FUNCTIONS:				
Streets and Roads Maintenance:				
Salaries and Wages	89,299.94	89,299.94	70,000.00	19,299.94
Other Expenses	381,374.39	381,374.39	376,448.08	4,926.31
Recycling				
Salaries and Wages	604.10	604.10		604.10
Other Expenses	566.52	566.52	58.20	508.32
Buildings and Grounds:				
Other Expenses	48,646.49	48,646.49	33,762.04	14,884.45
Fleet Management:				
Salaries and Wages	684.11	1,684.11	1,000.00	684.11
Other Expenses	51,141.42	50,141.42	30,887.63	19,253.79
Municipal Services Act:				
Other Expenses	4,393.43	4,393.43	4,393.43	
HEALTH AND HUMAN SERVICES FUNCTIONS:				
Environmental Commission:				
Other Expenses	46.65	46.65	42.60	4.05
Animal Control Services:				
Salaries and Wages	5,716.94	5,716.94		5,716.94
Other Expenses	5,283.90	5,283.90	2,838.47	2,445.43
PARKS AND RECREATION FUNCTIONS:				
Recreation Services and Programs:				
Salaries and Wages	537.28	537.28		537.28
Other Expenses	29,216.70	29,216.70	2,218.92	26,997.78
Senior Citizens:				
Salaries and Wages	1,467.99	1,467.99		1,467.99
Other Expenses	2,258.73	2,258.73		2,258.73
Maintenance of Parks:				
Salaries and Wages	134.08	134.08		134.08
Other Expenses	9,263.82	9,263.82	1,201.74	8,062.08

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF 2012 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2013
(Continued)

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Balance</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
OTHER COMMON OPERATING FUNCTIONS:				
Municipal Court:				
Salaries and Wages	\$ 10,125.35	\$ 10,125.35		\$ 10,125.35
Other Expenses	846.23	846.23	\$ 393.45	452.78
Construction Code Official:				
Salaries and Wages	3,284.37	3,284.37		3,284.37
Other Expenses	3,419.13	3,419.13	1,709.96	1,709.17
UTILITY EXPENSES AND BULK PURCHASES:				
Utilities	64,492.98	64,492.98	62,549.89	1,943.09
STATUTORY EXPENDITURES:				
Social Security System (O.A.S.I)	721.03	7,721.03	7,000.00	721.03
Defined Contribution Retirement System	1,838.89	1,838.89		1,838.89
Interlocal Municipal Service Agreements:				
911 Communications - Service:				
Other Expenses	2,462.67	2,462.67	1,472.08	990.59
	<u>\$ 1,301,910.26</u>	<u>\$ 1,301,910.26</u>	<u>\$ 809,903.26</u>	<u>\$ 492,007.00</u>
 <u>Ref.</u>				
<u>Analysis of Balance on December 31, 2012:</u>				
Unencumbered	A \$ 855,106.84			
Encumbered	A 446,803.42			
	<u>\$ 1,301,910.26</u>			
		Cash Disbursed	\$ 790,403.26	
		Accounts Payable	19,500.00	
			<u>\$ 809,903.26</u>	

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2013

Increased by:

2013 School Tax Levy

\$ 42,251,468.00

Decreased by:

Payments to Local School District

\$ 42,251,468.00

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

	Balance Dec. 31, 2012	Transferred from Budget Appropriations	Expended	Encumbrances Payable	Prior Year Encumbrances Cancelled	Cancelled	Balance Dec. 31, 2013
Clean Communities Program:							
2009	\$ 1,000.00		\$ 1,000.00				
2010	14,219.80		14,274.83		\$ 96.30		\$ 41.27
2011	42,747.96		3,249.96	\$ 3,388.00			36,110.00
2012	41,968.43						41,968.43
2013		\$ 49,148.50	7,114.36	2,368.55			39,665.59
Drunk Driving Enforcement Fund:							
2010	249.65						249.65
2011	4,805.53		4,710.61				94.92
2012	8,948.00		6,378.12			\$ 2,509.38	60.50
2013		7,739.62	1,300.97				6,438.65
Body Armor Replacement Grant:							
2011 - State	2,865.00	106.02	2,971.02				
2012 - State		3,039.98	3,039.98				
Recreational Opportunities for Individuals with Disabilities:							
2012 - State	5,000.00		5,000.00				
2012 - Local	1,000.00		1,000.00				
Recycling Tonnage Grant:							
2010	10,354.20		9,935.19	419.01			
2011	10,354.00		3,683.85	6,670.15			
Municipal Alliance on Alcoholism and Drug Abuse:							
2012	8.97					8.97	
2013		20,467.00	20,312.17				154.83
Safe and Secure Communities Grant:							
2011	53,818.00		53,818.00				
2012	53,818.00		53,818.00				
NJ Highlands Water Protection & Planning Council:							
Highlands Plan Conformance Grant	1,310.75		4,887.25		3,665.00		88.50
NJ Division of Highway Traffic Safety:							
Drive Sober or Get Pulled Over		4,400.00	4,400.00				
FEMA - Assistance to Firefighters Grant							
2013 - Federal		342,562.00	56,068.86	131,838.90			154,654.24
2013 - Local		38,063.00	20,878.64				17,184.36

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

	<u>Balance Dec. 31, 2012</u>	<u>Transferred from Budget Appropriations</u>	<u>Expended</u>	<u>Encumbrances Payable</u>	<u>Prior Year Encumbrances Cancelled</u>	<u>Cancelled</u>	<u>Balance Dec. 31, 2013</u>
NJ Department of Environmental Protection: No Net Loss Grant Reforestation Grant - 2013		\$ 30,642.00	\$ 11,642.99	\$ 44.34			\$ 18,954.67
	<u>\$ 252,468.29</u>	<u>\$ 496,168.12</u>	<u>\$ 289,484.80</u>	<u>\$ 144,728.95</u>	<u>\$ 3,761.30</u>	<u>\$ 2,518.35</u>	<u>\$ 315,665.61</u>
	A						A
Federal/State Grants		\$ 458,105.12					
Local Matching Funds		38,063.00					
		<u>\$ 496,168.12</u>					
Federal Grants			\$ 60,468.86	\$ 131,838.90			
State Grants			207,137.30	12,890.05	\$ 3,761.30		
Local Grants			21,878.64				
			<u>\$ 289,484.80</u>	<u>\$ 144,728.95</u>	<u>\$ 3,761.30</u>		

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

	Balance Dec. 31, 2012	Grant Funds Received	Transferred to 2013 Budget Revenue	Balance Dec. 31, 2013
Body Armor Replacement Grant:				
2011	\$ 106.02		\$ 106.02	
2012	3,039.41		3,039.41	
2013		\$ 3,810.22		\$ 3,810.22
Safe and Secure Communities Program		6,182.00		6,182.00
Volunteer Fire Fighter Assistance		3,441.46		3,441.46
	<u>\$ 3,145.43</u>	<u>\$ 13,433.68</u>	<u>\$ 3,145.43</u>	<u>\$ 13,433.68</u>
<u>Ref.</u>	A			A

Federal Grants	\$ -0-
State Grants	<u>13,433.68</u>
	<u>\$ 13,433.68</u>

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2013
TRUST FUNDS

TOWNSHIP OF VERNON
TRUST FUNDS
SCHEDULE OF CASH

	<u>Ref.</u>	<u>Assessment Trust Fund</u>	<u>Animal Control Fund</u>	<u>Other Trust Funds</u>	<u>Open Space Trust Fund</u>
Balance December 31, 2012	B	\$ 815,530.11	\$ 76,173.80	\$ 1,935,922.07	\$ 1,029,070.78
Increased by Receipts:					
Assessment Lien Redemption		\$ 13,541.50			
Road Assessment Receivable		21,289.25			
Pleasant Valley Dam Assessment Receivable		67,005.61			
Animal Control Collector			\$ 66,179.60		
Shelter Fees			5,911.00		
Due to State of New Jersey:					
Building Surcharge				\$ 13,184.00	
Due from Current Fund:					
Settlement of Prior Year Interfund		65.48		8,509.44	
Reserve for:					
Planning and Zoning Board Escrow				27,657.08	
Developer's Escrow Deposits Payable				2,000.00	
Parking Offense Adjudication Act				46.00	
Fire Prevention Penalties				1,000.00	
Public Defender				5,738.00	
Tax Sale Premium				703,000.00	
Deposit for Redemption				639,802.73	
Recreation				68,185.33	
Police Outside Services				93,288.65	
Snow Removal				270,000.00	
Unemployment				27,226.41	
Senior Citizens Center				3,930.61	
Council on Affordable Housing				5,700.10	
Developer's Bonds				8,144.17	
Pleasant Valley Dam Rehabilitation				8.32	
Barry Lakes Dam				5,001.62	
Animal Control Donations				2,057.16	
Open Space Trust					\$ 1,490.57
Net Payroll and Payroll Deductions				3,697,572.84	
		<u>101,901.84</u>	<u>72,090.60</u>	<u>5,582,052.46</u>	<u>1,490.57</u>
		917,431.95	148,264.40	7,517,974.53	1,030,561.35

TOWNSHIP OF VERNON
TRUST FUNDS
SCHEDULE OF CASH
(Continued)

	<u>Ref.</u>	<u>Assessment Trust</u> <u>Fund</u>	<u>Animal Control</u> <u>Fund</u>	<u>Other Trust Funds</u>	<u>Open Space Trust</u> <u>Fund</u>
Decreased by Disbursements:					
Assessment Escrow		\$ 516.80			
Assessment Serial Bonds Payable		27,300.00			
Assessment Bond Anticipation Notes Payable		141,634.32			
Administrative Expenses			\$ 60,000.00		
Due to State of New Jersey:					
Building Surcharge				\$ 17,368.00	
Due to/from Current Fund:					
Anticipated Revenue		10,000.00			
Reserve for:					
Planning and Zoning Board Escrow				54,695.85	
Developer's Escrow Deposits Payable				7,954.00	
Fire Prevention Penalties				136,000.00	
Public Defender				4,350.00	
Tax Sale Premium				139,000.00	
Deposit for Redemption				639,802.73	
Unemployment				12,124.40	
Compensated Absences				63,486.27	
Senior Citizens Center				5,129.74	
Recreation				86,224.13	
Police Outside Services				97,985.42	
Snow Removal				77,948.91	
Unclaimed Properties				853.25	
Animal Control Donations				400.00	
Coalition on Affordable Housing				11,058.13	
Developer's Bonds				12,648.25	
Open Space Trust					\$ 15,500.00
Net Payroll and Payroll Deductions				3,697,624.75	
		<u>\$ 179,451.12</u>	<u>\$ 60,000.00</u>	<u>\$ 5,064,653.83</u>	<u>\$ 15,500.00</u>
Balance December 31, 2013	B	<u>\$ 737,980.83</u>	<u>\$ 88,264.40</u>	<u>\$ 2,453,320.70</u>	<u>\$ 1,015,061.35</u>

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

	<u>Ref.</u>		
Balance December 31, 2012	B	\$	-0-
Increased by Receipts:			
Municipal License Fees		\$	53,576.60
State License Fees			9,089.40
Dog License Late Fees			12,615.00
Kennel License Fees			120.00
			<u>75,401.00</u>
Decreased by Disbursements:			
Treasurer - Animal Control Fund			66,311.60
State of New Jersey			9,089.40
			<u>75,401.00</u>
Balance December 31, 2013	B	\$	-0-

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
ANALYSIS OF CASH

	Balance/ (Deficit) Dec. 31, 2012	Receipts		Disbursements			Balance Dec. 31, 2013
		Assessments	Miscellaneous	Assessment Serial Bonds	Loan Payable	Miscellaneous	
Fund Balance	\$ 42,145.10		\$ 13,541.50			\$ 10,000.00	\$ 45,686.60
Due to/(from) Current Fund	(65.48)	\$ 15,312.59	65.48			15,312.59	
Assessment Serial Bonds:							
<u>Ord #</u>							
03-21 Woodland Hills Drive, Red Oak Court							
Babtown Road Improvements	212,660.55	20,551.49		\$ 25,389.00			207,823.04
03-22 Silverdale Lane Road Improvement	15,530.78	737.76		1,911.00			14,357.54
NJDEP Loan Payable:							
Pleasant Valley Lake Dam Rehabilitation	538,647.11	51,693.02			\$ 126,321.73		464,018.40
Assessment Escrow	6,612.05					516.80	6,095.25
	<u>\$ 815,530.11</u>	<u>\$ 88,294.86</u>	<u>\$ 13,606.98</u>	<u>\$ 27,300.00</u>	<u>\$ 126,321.73</u>	<u>\$ 25,829.39</u>	<u>\$ 737,980.83</u>
Ref.	B						B

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

	<u>Ref.</u>		
Balance December 31, 2012	B	\$	76,173.80
Increased by:			
Dog Fees Collected Due to Treasurer:			
Dog License Fees		\$	53,444.60
Late Fees			12,615.00
Shelter Fees			5,911.00
Kennel License Fees			120.00
			<u>72,090.60</u>
			<u>148,264.40</u>
Decreased by:			
Animal Control Expenditures			<u>60,000.00</u>
Balance December 31, 2013	B	\$	<u><u>88,264.40</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2011	\$ 51,900.80
2012	<u>53,067.00</u>
Maximum Allowable Reserve	<u><u>\$ 104,967.80</u></u>

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENTS RECEIVABLE

Improvement Description	Date of Confirmation	Balance	Collections	Transferred to	Balance	Balance Pledged to		
		Dec 31, 2012		Assessment Liens	Dec 31, 2013	Assessment Bonds	Loan Payable	Reserve
Improvements to Pleasant Valley Dam	11/10/03	\$ 313,374.50	\$ 67,005.61	\$ 2,266.00	\$ 244,102.89		\$ 206,712.43	\$ 37,390.46
Silverdale Lane Road Improvement	10/02/06	5,902.14	737.76		5,164.38	\$ 5,164.36		0.02
Woodland Hills Drive, Red Oak Court, Bantown Road Improvements	10/02/06	100,289.71	20,551.49		79,738.22	42,737.96		37,000.26
		<u>\$ 419,566.35</u>	<u>\$ 88,294.86</u>	<u>\$ 2,266.00</u>	<u>\$ 329,005.49</u>	<u>\$ 47,902.32</u>	<u>\$ 206,712.43</u>	<u>\$ 74,390.74</u>
	<u>Ref.</u>	B			B			

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding Dec. 31, 2013		Interest Rate	Balance Dec. 31, 2012	Matured	Balance Dec. 31, 2013
			Date	Amount				
General Bonds of 2006	01/01/06	\$ 307,132.90	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%	\$ 297,382.90	\$ 27,300.00	\$ 270,082.90
						<u>\$ 297,382.90</u>	<u>\$ 27,300.00</u>	<u>\$ 270,082.90</u>
					<u>Ref.</u>	B		B

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

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2012</u>	<u>Matured</u>	<u>Balance Dec. 31, 2013</u>
98-04	Pleasant Valley Dam Rehabilitation	<u>\$ 797,052.56</u>	<u>\$ 126,321.73</u>	<u>\$ 670,730.83</u>
	<u>Ref.</u>	<u>B</u>		<u>B</u>

SCHEDULE OF PRINCIPAL PAYMENTS OUTSTANDING DECEMBER 31, 2013

<u>Payment Number</u>	<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance of Loan</u>
				\$ 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>\$ 37,440.71</u>	<u>\$ 670,730.83</u>	

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENT LIENS

<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance Dec 31, 2012</u>	<u>Cancelled by Foreclosure</u>	<u>Transfer from Assessment Receivable</u>	<u>Redeemed</u>	<u>Balance Dec 31, 2013</u>	<u>Balance Pledged to Reserve</u>
Improvement to Various Streets	11/15/82	\$ 2,027.76	\$ 2,027.76				
Improvement to Roads - Pleasant Valley Lakes and Tulip Road	09/22/82	7,654.83	5,502.27			\$ 2,152.56	\$ 2,152.56
Improvement to Various Streets - Lake Wanda	10/01/75	7,978.80	5,641.90			2,336.90	2,336.90
Pleasant Valley Lake Dam	10/02/06	<u>64,386.00</u>	<u></u>	<u>\$ 2,266.00</u>	<u>\$ 13,541.50</u>	<u>53,110.50</u>	<u>53,110.50</u>
		<u>\$ 82,047.39</u>	<u>\$ 13,171.93</u>	<u>\$ 2,266.00</u>	<u>\$ 13,541.50</u>	<u>\$ 57,599.96</u>	<u>\$ 57,599.96</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, 2012	B	\$ 3,159.67
Decreased by:		
Canceled by Foreclosure		<u>2,253.51</u>
Balance at December 31, 2013	B	<u><u>\$ 906.16</u></u>

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

Improvement Description	Balance Dec. 31, 2012	Collections to Fund Balance	Interest Paid by Budget Appropriation	Canceled	Transfer To/(From)	Balance Dec. 31, 2013
<u>Assessment Receivable:</u>						
Improvement of Pleasant Valley Lake Dam	\$ 54,969.05		\$ 15,312.59		\$ (2,266.00)	\$ 37,390.46
Silverdale Lane Road Improvement	0.02					0.02
Woodland Hills Drive, Red Oak Court, Babtown Road Improvements	37,000.26					37,000.26
	<u>91,969.33</u>		<u>15,312.59</u>		<u>(2,266.00)</u>	<u>74,390.74</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			5,502.27		2,152.56
Improvement to Various Streets - Lake Wanda	7,978.80			5,641.90		2,336.90
Improvement to Pleasant Valley Lake Dam	64,386.00	\$ 13,541.50			2,266.00	53,110.50
	<u>82,047.39</u>	<u>13,541.50</u>		<u>13,171.93</u>	<u>2,266.00</u>	<u>57,599.96</u>
	<u>\$ 174,016.72</u>	<u>\$ 13,541.50</u>	<u>\$ 15,312.59</u>	<u>\$ 13,171.93</u>	<u>\$ -0-</u>	<u>\$ 131,990.70</u>
Ref.	B					B

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2013
GENERAL CAPITAL FUND

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF CASH - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2012	C	\$ 1,977,453.68
Increased by:		
Capital Improvement Fund:		
2013 Budget Appropriation	\$ 400,000.00	
Bond Sinking Fund:		
2013 Budget Appropriation	150,000.00	
Capital Fund Balance:		
Premium on Bond Anticipation Notes	13,838.10	
Bond Anticipation Notes Issued	<u>7,604,000.00</u>	
		<u>8,167,838.10</u>
		10,145,291.78
Decreased by:		
Bond Anticipation Notes Redeemed	7,204,000.00	
Improvement Authorization Expenditures	1,007,112.97	
Prior Year Encumbrances	<u>896,995.04</u>	
		<u>9,108,108.01</u>
Balance December 31, 2013	C	<u>\$ 1,037,183.77</u>

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

	Balance (Deficit) Dec. 31, 2012	Receipts			Disbursements			Transfers		Balance (Deficit) Dec. 31, 2013
		Miscellaneous	Bond	Budget Appropriation	Miscellaneous	Bond	Improvement Authorization Expenditures	From	To	
			Anticipation			Anticipation				
			Notes			Notes				
Fund Balance	\$ 204,955.81	\$ 13,838.10						\$ 215,000.00	\$ 250,363.24	\$ 254,157.15
Capital Improvement Fund	80,237.65			\$ 400,000.00				545,000.00	131,407.71	66,645.36
Bond Sinking Fund		150,000.00								150,000.00
Encumbrances Payable	936,139.24				\$ 896,995.04			39,144.20	149,793.15	149,793.15
Reserve for Payment of Debt Service	412.66									412.66
Reserve for Capital Projects	407.50									407.50
Ord. No.	Improvement Description									
05-07	Low Income Housing Units	23,200.00						23,200.00		
05-09	Improvements to Town Center	(503.00)								(503.00)
05-14	Various Capital Improvements	55.72						55.72		
06-06	Provision of Affordable Housing	(395.00)								(395.00)
06-19	Various Capital Improvements	829.70					\$ 229.90	599.80		
07-36; 11-13	Various Capital Improvements	173,154.64						173,154.64		
08-10	Various Capital Improvements	5,277.43						5,277.43		
08-17	Various Capital Improvements	10,012.65						10,012.65		
09-15	Repair and Maintenance of Township Roads	1,027.15						1,027.15		
09-16	Drainage Improvements	380.56						380.56		
11-07	Various Capital Improvements	59,821.10	\$ 1,527,000.00			\$ 1,527,000.00	19,718.02	1,607.50	6,934.03	45,429.61
11-08	Various Emergency Services Purposes	199,662.66	1,368,000.00			1,368,000.00	25,497.68	138,063.00	13,386.00	49,487.98
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	133,000.00	900,000.00			500,000.00	400,000.00			133,000.00
12-08	Various Capital Improvements	2,973.11					7,580.67	1,985.00	14,856.75	8,264.19
12-15	Canistear Road and Various Road Improvements and Various Capital Acquisitions	146,804.10					14,129.01	130,359.60	3,967.42	6,282.91
13-01	Various Capital Improvements						96,397.13	2,803.05	100,000.00	799.82
13-02	Purchase of Flail Mower						29,658.47		35,000.00	5,341.53
13-09	Various Capital Improvements						214,355.59		215,000.00	644.41
13-15	Purchase of Various Equipment						56,649.50	141,363.00	215,000.00	16,987.50
13-17	Purchase of Various Equipment						142,897.00	1,675.00	295,000.00	150,428.00
	\$ 1,977,453.68	\$ 163,838.10	\$ 7,604,000.00	\$ 400,000.00	\$ 896,995.04	\$ 7,204,000.00	\$ 1,007,112.97	\$ 1,430,708.30	\$ 1,430,708.30	\$ 1,037,183.77

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

Ord. No.	Improvement Description	Balance Dec. 31, 2012	Notes Paid by Budget Appropriation	Balance Dec. 31, 2013	Analysis of Balance December 31, 2013		
					Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
<u>General Improvements:</u>							
05-09	Improvements to Town Center	\$ 503.00		\$ 503.00		\$ 503.00	
06-06	Provision of Affordable Housing	395.00		395.00		395.00	
11-07	Various Capital Improvements	1,571,000.00	\$ 44,000.00	1,527,000.00	\$ 1,527,000.00		
11-08	Various Emergency Services Purposes	1,412,000.00	44,000.00	1,368,000.00	1,368,000.00		
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	900,000.00		\$ 1,766,000.00
		<u>\$ 9,458,898.00</u>	<u>\$ 88,000.00</u>	<u>\$ 9,370,898.00</u>	<u>\$ 7,604,000.00</u>	<u>\$ 898.00</u>	<u>\$ 1,766,000.00</u>
	<u>Ref.</u>	C		C			

Analysis of Unexpended Improvement Authorizations:

Improvement Authorizations - Unfunded

\$ 1,993,917.59

Less: Unexpended Proceeds of Bond Anticipation Notes Issued:

Ord. #11-07

\$ 45,429.61

Ord. #11-08

49,487.98

Ord. #11-23

133,000.00

227,917.59

\$ 1,766,000.00

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance		December 31, 2012		2013 Authorizations		Transfer To/(From)	Paid or Charged	Prior Year Encumbrances Canceled	Improvement Authorizations Canceled	December 31, 2013	
		Date	Amount	Funded	Unfunded	Capital Fund Balance	Capital Improvement Fund					Funded	Unfunded
General Improvements:													
05-07	Low Income Housing	03/28/05	\$ 460,000.00	\$ 23,200.00							\$ 23,200.00		
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	829.70					\$ 229.90		599.80		
07-36; 11-13	Various Capital Improvements	08/13/07	1,864,579.00	173,154.64							173,154.64		
08-10	Various Capital Improvements	06/12/08	889,537.31	5,277.43							5,277.43		
08-17	Various Capital Improvements	09/11/08	1,329,683.69	10,012.65							10,012.65		
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	380.56							380.56		
11-07	Various Capital Improvements	03/28/11	1,650,000.00		\$ 59,821.10				21,325.52	\$ 6,934.03			\$ 45,429.61
11-08	Various Emergency Services Purposes	04/28/11	1,484,000.00		199,662.66			\$ (100,000.00)	25,497.68	13,386.00	38,063.00		49,487.98
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		2,299,000.00				400,000.00				1,899,000.00
12-08	Various Capital Improvements	05/14/12	510,000.00	2,973.11					9,565.67	14,856.75		\$ 8,264.19	
12-15	Canistear Road and Various Road Improvements and Various Capital Acquisitions	09/10/12	320,000.00	146,804.10					14,488.61	3,967.42	130,000.00	6,282.91	
13-01	Various Capital Improvements	02/25/13	100,000.00					100,000.00	99,200.18			799.82	
13-02	Purchase of Flail Mower	02/25/13	35,000.00				\$ 35,000.00		29,658.47			5,341.53	
13-09	Various Capital Improvements	05/30/13	215,000.00			\$ 215,000.00			214,355.59			644.41	
13-15	Purchase of Various Equipment	09/09/13	215,000.00				215,000.00		198,012.50			16,987.50	
13-17	Purchase of Various Equipment	10/17/13	295,000.00				295,000.00		144,572.00			150,428.00	
			<u>\$ 363,715.06</u>	<u>\$ 2,558,483.76</u>	<u>\$ 215,000.00</u>	<u>\$ 545,000.00</u>	<u>\$ -0-</u>	<u>\$ 1,156,906.12</u>	<u>\$ 39,144.20</u>	<u>\$ 381,770.95</u>	<u>\$ 188,748.36</u>	<u>\$ 1,993,917.59</u>	
	Ref.			C	C							C	C
								Cash Disbursed	\$ 1,007,112.97				
								Encumbrances	149,793.15				
									<u>\$ 1,156,906.12</u>				
										Capital Fund Balance	\$ 250,363.24		
										Capital Improvement Fund	131,407.71		
											<u>\$ 381,770.95</u>		

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>		
Balance December 31, 2012	C	\$	80,237.65
Increased by:			
2013 Budget Appropriation		\$	400,000.00
Cancel Appropriation Balances			131,407.71
			<u>531,407.71</u>
			611,645.36
Decreased by:			
Appropriated to Finance Improvement			
Authorizations			<u>545,000.00</u>
Balance December 31, 2013	C	\$	<u><u>66,645.36</u></u>

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

Ord. No.	Improvement Description	Issue of Original Note	Date of		Interest Rate	Balance Dec. 31, 2012	Issued	Matured	Balance Dec. 31, 2013
			Issue	Maturity					
11-07	Various Capital Improvements	05/24/11	05/24/12 05/23/13	05/23/13 03/28/14	1.50% 1.25%	\$ 1,571,000.00	\$ 1,527,000.00	\$ 1,571,000.00	\$ 1,527,000.00
11-08	Various Emergency Services Purposes	05/24/11	05/24/12 05/23/13	05/23/13 03/28/14	1.50% 1.25%	1,412,000.00	1,368,000.00	1,412,000.00	1,368,000.00
11-22	Acquisition of Sanitary Sewerage Collection and Transmission Facilities	03/29/12	03/29/12 03/28/13	03/29/13 03/28/14	1.25% 0.75%	3,809,000.00	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	11/02/12	11/02/12 10/31/13	11/01/13 10/31/14	1.15% 1.00%	500,000.00	900,000.00	500,000.00	900,000.00
						<u>\$ 7,292,000.00</u>	<u>\$ 7,604,000.00</u>	<u>\$ 7,292,000.00</u>	<u>\$ 7,604,000.00</u>
						Ref. C			C
						New Issues	\$ 400,000.00		
						Renewals	7,204,000.00	\$ 7,204,000.00	
						Paid by Budget Appropriation		88,000.00	
							<u>\$ 7,604,000.00</u>	<u>\$ 7,292,000.00</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, 2012	Matured	Balance Dec. 31, 2013
			Outstanding Date	Dec. 31, 2013 Amount				
General Bonds of 2006	01/01/06	\$ 7,548,867.10	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%	\$ 7,308,617.10	\$ 672,700.00	\$ 6,635,917.10
General Bonds of 2011	01/06/11	13,395,000.00	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%	12,800,000.00	640,000.00	12,160,000.00
Improvement to Sanitary Sewerage System	01/01/08	2,850,000.00	1/1/14-16	25,000.00	4.250%			
			01/01/17	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%	2,750,000.00	25,000.00	2,725,000.00
						<u>\$ 22,858,617.10</u>	<u>\$ 1,337,700.00</u>	<u>\$ 21,520,917.10</u>

Ref.

C

C

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ord. No.	Improvement Description	Balance Dec. 31, 2012	Notes Paid by Budget Appropriation	Bond Anticipation Notes Matured	Bond Anticipation Notes Issued	Balance Dec. 31, 2013
05-09	Improvement to Town Center	\$ 503.00				\$ 503.00
06-06	Provision of Affordable Housing	395.00				395.00
11-07	Various Capital Improvements		\$ 44,000.00	\$ 1,571,000.00	\$ 1,527,000.00	
11-08	Various Emergency Services Purposes		44,000.00	1,412,000.00	1,368,000.00	
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	2,166,000.00		500,000.00	900,000.00	1,766,000.00
		<u>\$ 2,166,898.00</u>	<u>\$ 88,000.00</u>	<u>\$ 7,292,000.00</u>	<u>\$ 7,604,000.00</u>	<u>\$ 1,766,898.00</u>

TOWNSHIP OF VERNON

PART II – SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2013

TOWNSHIP OF VERNON
SCHEDULE OF OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013

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 Transportation</u>								
(Passed thru N.J. Department of Transportation)	20.601	Drive Sober or Get Pulled Over	\$ 4,400.00	01/01/13	12/31/13	\$ 4,400.00	\$ 4,400.00	\$ 4,400.00
	20.205	Transportation Trust Fund Authority Act: Municipal Aid - 2010	<u>200,000.00</u>	01/01/10	12/31/12	<u>50,000.00</u>		<u>200,000.00</u>
Total U.S. Department of Transportation			<u>204,400.00</u>			<u>54,400.00</u>	<u>4,400.00</u>	<u>204,400.00</u>
<u>U.S. Department of Homeland Security</u>								
(Passed thru N.J. Department of Law and Public Safety)	97.036	Disaster Grants - Public Assistance - FEMA	187,901.24	01/01/11	12/31/13	187,901.24	187,901.24 *	187,901.24
	97.044	Assistance to Firefighters Grant - FEMA	<u>342,562.00</u>	01/01/13	12/31/14	<u>187,906.00</u>	<u>187,907.76</u>	<u>187,907.76</u>
Total U.S. Department of Homeland Security			<u>530,463.24</u>			<u>375,807.24</u>	<u>375,809.00</u>	<u>375,809.00</u>
Total Federal Awards			<u>\$ 734,863.24</u>			<u>\$ 430,207.24</u>	<u>\$ 380,209.00</u>	<u>\$ 580,209.00</u>

* Include Funds Expended in 2012.

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF VERNON
SCHEDULE OF OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2013

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	\$ 53,818.00	01/01/11	12/31/13	\$ 53,818.00	\$ 53,818.00	\$ 53,818.00
			53,818.00	01/01/12	12/31/13	53,818.00	53,818.00	53,818.00
			6,182.00	01/01/13	12/31/14	6,182.00		
			<u>113,818.00</u>			<u>113,818.00</u>	<u>107,636.00</u>	<u>107,636.00</u>
	Body Armor Replacement Grant	1120-718-066-1020-001- YCJS-6120	2,971.02	01/01/11	12/31/13		2,971.02	2,971.02
			3,039.98	01/01/12	12/31/13	0.57	3,039.98	3,039.98
			3,810.22	01/01/13	12/31/14	3,810.22		
			<u>9,821.22</u>			<u>3,810.79</u>	<u>6,011.00</u>	<u>6,011.00</u>
	Drunk Driving Enforcement Fund	100-078-6400-YYYY	5,163.63	01/01/11	12/31/14		4,710.61	5,068.71
			8,948.00	01/01/12	12/31/14	6,438.62	6,378.12	6,378.12
			7,739.62	01/01/13	12/31/14	7,739.62	1,300.97	1,300.97
			<u>21,851.25</u>			<u>14,178.24</u>	<u>12,389.70</u>	<u>12,747.80</u>
	Total Department of Law and Public Safety		<u>145,490.47</u>			<u>131,807.03</u>	<u>126,036.70</u>	<u>126,394.80</u>
<u>Department of Environmental Protection</u>	Clean Communities Grant	765-042-4900-004-6020	41,020.28	01/01/09	12/31/13		1,000.00	41,020.28
			42,713.98	01/01/10	12/31/14		14,274.83	42,672.71
			42,747.96	01/01/11	12/31/14	125.83	6,637.96	6,637.96
			49,148.50	01/01/13	12/31/14	49,148.50	9,482.91	9,482.91
			<u>175,630.72</u>			<u>49,274.33</u>	<u>31,395.70</u>	<u>99,813.86</u>
	Recycling Tonnage	752-042-4900-001-6020	10,354.20	01/01/10	12/31/13		10,354.20	10,354.20
			10,354.00	01/01/11	12/31/13		10,354.00	10,354.00
			<u>20,708.20</u>				<u>20,708.20</u>	<u>20,708.20</u>
	(Passed through NJ State Forestry Services)							
	No Net Loss Reforestation Grant	FY13-531-042-4815-023	30,642.00	04/02/13	12/31/14		11,687.33	11,687.33
	Volunteer Firefighter Assistance Grant	100-042-4870-025- V42F-6120	3,441.46	01/01/13	12/31/14	3,441.46		
	Total Department of Environmental Protection		<u>230,422.38</u>			<u>52,715.79</u>	<u>63,791.23</u>	<u>132,209.39</u>

TOWNSHIP OF VERNON
SCHEDULE OF OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2013

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 Community Affairs</u>	Recreation Opportunities for Ind. With Disabilities	100-022-8050-035-F157- 6120-001	\$ 5,000.00	01/01/12	12/31/13	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
Total Department of Community Affairs			5,000.00			5,000.00	5,000.00	5,000.00
<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	20,467.00	01/01/12	12/31/13	8,020.53		20,458.03
			20,467.00	01/01/13	12/31/14	11,714.65	20,312.17	20,312.17
Total Department of Treasury			40,934.00			19,735.18	20,312.17	40,770.20
<u>NJ Highlands Council</u>								
	Highlands Plan Conformance Grant	N/A	21,948.00	01/01/12	12/31/14		4,887.25	21,859.50
Total NJ Highlands Council			21,948.00				4,887.25	21,859.50
Total State Awards			\$ 443,794.85			\$ 209,258.00	\$ 220,027.35	\$ 326,233.89

N/A - Not Available

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

TOWNSHIP OF VERNON
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2013

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 Non-Profit 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, 2013, the Township has \$670,730.83 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.



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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*

Independent Auditors' Report

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

We have audited, 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, 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, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated March 7, 2014. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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. 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.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2013-01, that we consider to be a significant deficiency.

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 reported to management in the comments and recommendations section of this report.

The Township's Response to the Finding

The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
March 7, 2014

Nisivoccia LLP
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, 2013

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Township prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- A significant deficiency was disclosed during the audit of the financial statements as reported in the *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*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Township was not subject to the single audit provisions of Federal OMB Circular A-133 and New Jersey's OMB Circular 04-04 for the year ended December 31, 2013 as both state and federal 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 disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2013-1

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. 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, 2013

The prior year finding 2012-1 regarding the segregation of duties has not been resolved and is included in the current year audit report as finding 2013-1.

TOWNSHIP OF VERNON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2013

TOWNSHIP OF VERNON
COMMENTS AND RECOMMENDATIONS

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

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

a. " When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to Subsection b. of Section 9 of P.L. 1971, C.198 (N.J.S.A. 40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, C.198 (N.J.S.A. 40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, C.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, C.198 (N.J.S.A. 40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

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

Effective 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. None were noted.

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 7, 2013, 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 October 23, 2013, 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>
2013	500
2012	477
2011	408

The Township has numerous tax title liens and assessment liens outstanding as of December 31, 2013. 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 17 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 2014 Taxes	20
Payments of 2013 Taxes	20
Delinquent Taxes	20
Tax Title Liens	3
Assessment Liens	3

Municipal Court

A summary of Municipal Court transactions for the year 2013 is as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
State of New Jersey	\$ 6,595.32	\$ 75,274.57	\$ 76,066.14	\$ 5,803.75
County	1,736.50	50,203.26	48,387.01	3,552.75
Municipality		135,232.80	135,232.80	
Municipality - POAA		46.00	42.00	4.00
Conditional Discharge	225.00		225.00	
Public Defender		5,738.00	5,738.00	
Weights and Measures		1,650.00	1,400.00	250.00
Fish and Game		1,235.00	1,235.00	
Forest & Parks		450.00	350.00	100.00
Restitution	987.70	4,249.57	5,127.27	110.00
Interest		29.21	29.21	
	<u>\$ 9,544.52</u>	<u>\$ 274,108.41</u>	<u>\$ 273,832.43</u>	<u>\$ 9,820.50</u>

Status of Prior Year Recommendations

All recommendations except for recommendation 1 from the 2012 audit have been resolved. The Township is in the process of implementing corrective action to resolve this recommendation.

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.
