

TOWNSHIP OF VERNON

COUNTY OF SUSSEX

REPORT OF AUDIT

2015

*NISIVOCCIA LLP
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
REPORT OF AUDIT
2015

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TOWNSHIP OF VERNON

PART I

FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2015

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, 2015 and 2014, 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.

The Honorable Mayor and Members
of the Township Council
Township of Vernon
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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 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 and account group of the Township as of December 31, 2015 and 2014, 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 and account group of the Township as of December 31, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 5 to the financial statements, the Township implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the year ended December 31, 2015. Our opinions are not modified with respect to this matter.

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *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 Honorable Mayor and Members
of the Township Council
Township of Vernon
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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 May 6, 2016 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
May 6, 2016

NISIVOCCIA LLP



William F. Schroeder
Registered Municipal Accountant No. 452
Certified Public Accountant

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2015
CURRENT FUND

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2015	(Restated) 2014
<u>ASSETS</u>			
Regular Fund:			
Cash - Treasurer		\$ 4,219,484.10	\$ 5,449,644.09
Investment - Treasurer			201,598.76
	A-4	4,219,484.10	5,651,242.85
Change Funds		745.00	795.00
Due from State of New Jersey:			
Senior Citizen and Veteran Deductions		54,711.22	56,248.91
		4,274,940.32	5,708,286.76
Receivables and Other Assets With			
Full Reserves:			
Delinquent Property Taxes Receivable	A-7	1,833,276.07	1,671,019.16
Tax Title Liens Receivable	A-8	4,260,828.27	4,035,425.90
Property Acquired for Taxes at Assessed			
Valuation		5,137,400.00	3,334,700.00
Internal Revenue Service Receivable			91,614.41
Ameripay Receivable			268,615.99
Due from Vernon Township MUA		220,826.27	320,826.27
Due from PVL Dam Association			6,082.03
Due from Pleasant Valley Lake Dam Trust Fund	B	50.04	
Due from Lake Community Property Owners		9,622.50	
Total Receivables and Other Assets		11,462,003.15	9,728,283.76
With Full Reserves			
Deferred Charges:			
Emergency Authorization			2,000.00
Special Emergency Authorizations		360,000.00	600,000.00
		360,000.00	602,000.00
Total Regular Fund		16,096,943.47	16,038,570.52
Federal and State Grant Fund:			
Federal and State Grants Receivable	A-10	541,307.62	595,150.81
Due from Current Fund	A	109,736.92	307,396.35
		651,044.54	902,547.16
<u>TOTAL ASSETS</u>		<u>\$ 16,747,988.01</u>	<u>\$ 16,941,117.68</u>

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

		December 31,	
			(Restated)
	Ref.	2015	2014
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 745,810.94	\$ 998,444.63
Encumbered	A-3;A-11	166,057.77	258,519.25
Total Appropriation Reserves		911,868.71	1,256,963.88
Accrued Payroll		18,548.33	4,838.56
Other Encumbrances Payable		56,309.03	148,375.62
Special Emergency Notes		360,000.00	600,000.00
Prepaid Taxes		330,524.66	471,463.81
Tax Overpayments		218,215.83	272,846.59
Due County for Added and Omitted Taxes		10,731.21	13,890.95
Due to:			
Federal and State Grant Fund	A	109,736.92	307,396.35
General Capital Fund	C	42,261.54	
Other Trust Funds	B		10,339.12
Pleasant Valley Lake Dam Trust Fund	B		49,328.82
State of New Jersey:			
Marriage License Fees		450.00	800.00
Due to Third Party Lienholders		74,347.60	
Reserve for:			
Tax Appeals		333,000.00	333,000.00
Codification of Ordinances		8,617.63	11,690.23
Master Plan		3,422.64	3,422.64
Revaluation		23,157.86	23,157.86
Sale of Municipal Assets - Attorney Fees		200.00	200.00
Damages from Hurricane Irene and Tropical Storm Lee		1,310.00	1,310.00
Tax Maps		18,000.00	18,000.00
		2,520,701.96	3,527,024.43
Reserve for Receivables and Other Assets	A	11,462,003.15	9,728,283.76
Fund Balance	A-1	2,114,238.36	2,783,262.33
Total Regular Fund		16,096,943.47	16,038,570.52
Federal and State Grant Fund:			
Appropriated Reserves	A-13	602,527.49	650,177.16
Unappropriated Reserves	A-14	45,000.00	5,000.00
Reserve for Encumbrances		3,517.05	247,370.00
Total Federal and State Grant Fund		651,044.54	902,547.16
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		\$ 16,747,988.01	\$ 16,941,117.68

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

		Year Ended December 31,	
	Ref.	2015	(Restated) 2014
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 1,400,000.00	\$ 1,200,000.00
Miscellaneous Revenue Anticipated		6,183,117.05	6,573,485.57
Receipts from:			
Delinquent Taxes		1,539,073.83	1,754,709.84
Current Taxes		66,346,774.84	67,580,208.44
Nonbudget Revenue		361,714.65	186,389.88
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		580,534.40	484,121.64
Cancellation of Appropriated Grant Reserves		73,049.36	
Interfunds and Other Receivables Returned		136,308.90	210,382.03
Total Income		<u>76,620,573.03</u>	<u>77,989,297.40</u>
<u>Expenditures</u>			
Budget Appropriations		22,096,106.13	22,150,779.92
County Taxes		12,576,978.46	13,146,968.49
Local School District Taxes		41,137,258.00	41,632,441.00
Prior Year Taxes Applied to Prepaid Taxes			3,108.33
Prior Year Taxes Applied to 2013 Taxes			1,059.20
Prior Year Taxes Applied to 2014 Taxes			241,761.98
Prior Year Taxes Applied to Overpayment			272,846.59
Refund of Prior Year Taxes		3,082.87	61,501.49
Refund of Prior Year Taxes - Encumbrance Payable			249.76
Prior Year Senior Citizens' Deductions Disallowed		750.00	250.00
Cancellation of Federal and State Grant Fund Receivables		65,749.00	
Interfunds and Other Receivables Advanced		9,672.54	
Total Expenditures		<u>75,889,597.00</u>	<u>77,510,966.76</u>
Excess in Revenue		730,976.03	478,330.64
Adjustments before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			202,000.00
Statutory Excess to Fund Balance		730,976.03	680,330.64
<u>Fund Balance</u>			
Balance January 1		<u>2,783,262.33</u>	<u>3,302,931.69</u>
		3,514,238.36	3,983,262.33
Decreased by:			
Utilized as Anticipated Revenue		<u>1,400,000.00</u>	<u>1,200,000.00</u>
Balance December 31	A	\$ 2,114,238.36	\$ 2,783,262.33

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

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	Budget	Added by NJSA 40A:4-87	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 1,400,000.00		\$ 1,400,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	11,000.00		11,026.78	\$ 26.78
Fees and Permits	129,170.00		167,819.12	38,649.12
Fines and Costs:				
Municipal Court	144,000.00		160,284.51	16,284.51
Interest and Costs on Taxes	248,000.00		278,470.22	30,470.22
Interest on Investments and Deposits	18,000.00		22,295.87	4,295.87
Recycling Receipts	95,000.00		65,349.95	29,650.05 *
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	410,000.00		490,075.00	80,075.00
Interlocal Service Agreement - 911 Communications:				
Township of Wantage	55,000.00		55,000.00	
Borough of Sussex	16,053.00		16,053.00	
Interlocal Service Agreement - Animal Control Services:				
Borough of Sussex	11,665.00		11,638.00	27.00 *
Interlocal Service Agreement - Financial Services:				
Vernon Township MUA	30,000.00		30,000.00	
Interlocal Service Agreement - Administrative:				
Vernon Township MUA	48,000.00		48,000.00	
Interlocal Service Agreement- Dept of Public Works:				
Vernon Township MUA	120,000.00		98,219.61	21,780.39 *
Interlocal Service Agreement- Senior Citizens:				
County of Sussex	22,700.00		17,024.94	5,675.06 *
Drunk Driving Enforcement Fund		\$ 10,014.92	10,014.92	
Clean Communities Program		56,165.53	56,165.53	
Alcohol Education and Rehabilitation Fund		1,414.40	1,414.40	
Municipal Alliance on Alcoholism and Drug Abuse:				
2015	20,467.00		20,467.00	
Safe and Secure Communities Program				
(P.L.1994, Chapter 220):				
2013	5,000.00		5,000.00	
2014	55,000.00		55,000.00	
Body Armor Fund:				
State		3,110.02	3,110.02	
Federal		3,557.26	3,557.26	
NJ Division of Highway Traffic Safety:				
Click It or Ticket		4,000.00	4,000.00	
NJ Division of Highway Traffic Safety:				
Drive Sober or Get Pulled Over		5,000.00	5,000.00	
NJ Highlands Water Protection & Planning Council:				
Highlands Plan Conformance Grant		125,747.15	125,747.15	
Recreational Opportunities for Individuals with				
Disabilities Grant:				
State Share	14,400.00		14,400.00	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Miscellaneous Revenue (Cont'd):				
Vernon Township Municipal Utility Authority				
Sewer Easement		\$ 140,000.00	\$ 140,000.00	
Atlantic Health Systems				
Traffic Safety Mini-Grant		500.00	500.00	
Uniform Fire Safety Act	\$ 29,000.00		27,005.27	\$ 1,994.73 *
General Capital Surplus	91,855.00		91,855.00	
Lot Development Plan	2,200.00		5,550.00	3,350.00
Hotel Occupancy Fee (P.L.2003, c.114)	221,000.00		245,751.38	24,751.38
Payment of Debt Service from Developer	142,719.00		142,718.75	0.25 *
Interest on Pleasant Valley Lake Dam Loan	10,184.00		10,184.00	
SCMUA Bill & Interest to be Repaid by VTMA	1,481,814.00		1,481,753.37	60.63 *
Total Miscellaneous Revenue	<u>5,694,893.00</u>	<u>349,509.28</u>	<u>6,183,117.05</u>	<u>138,714.77</u>
Receipts from Delinquent Taxes	<u>1,400,000.00</u>		<u>1,539,073.83</u>	<u>139,073.83</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>15,244,835.00</u>		<u>14,624,950.38</u>	<u>619,884.62 *</u>
Budget Totals	<u>23,739,728.00</u>	<u>349,509.28</u>	<u>23,747,141.26</u>	<u>\$ 342,096.02 *</u>
Nonbudget Revenue			<u>361,714.65</u>	
	<u>\$ 23,739,728.00</u>	<u>\$ 349,509.28</u>	<u>\$ 24,108,855.91</u>	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Allocation of Current Tax Collections

Collections		\$ 66,346,774.84
Allocated to:		
County Taxes	\$ 12,566,247.25	
Due to County for Added and Omitted Taxes	10,731.21	
School Taxes	<u>41,137,258.00</u>	
		<u>53,714,236.46</u>
		12,632,538.38
Add: Appropriation "Reserve for Uncollected Taxes"		<u>1,992,412.00</u>
Realized for Support of Municipal Budget		<u><u>\$ 14,624,950.38</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections	\$ 1,504,362.31
Tax Title Liens Redeemed	<u>34,711.52</u>
	<u><u>\$ 1,539,073.83</u></u>

Analysis of Nonbudget Revenue:

Treasurer:		
Notary Fees	\$ 528.00	
Returned Check Fees	360.00	
Auction or Sale of Township Property	197,215.20	
National Wildlife in Lieu of Tax	10,804.00	
Cable TV Franchise Fee	86,402.00	
Administrative Fee - Senior Citizens and Veterans Deductions	3,718.32	
Other Miscellaneous Receipts	3,035.72	
Prior Years Pleasant Valley Expenses	10,357.22	
NJ DMV Inspection Fines	300.00	
Tax Sale Premium Escheated to Current Fund	25,200.00	
FEMA Reimbursement - Tropical Storm Lee	4,265.86	
Prior Year Expenses	2,499.43	
Restitution	235.19	
Prior Year Voided Checks	278.33	
CAP Refund, Sussex Rural Cooperative	173.76	
Workers' Compensation and Other Insurance Refunds	145.00	
Geographic Information Systems	8,650.00	
Highlands Municipal Exemption	1,600.00	
Interest on Road Assessment Receivables	2,226.45	
Interest on Pleasant Valley Dam Trust Receivables	<u>454.13</u>	
		\$ 358,448.61
Due from Other Trust Fund:		
Interest on Pleasant Valley Lake Dam Trust Receivables		50.04
Collector:		
Other Miscellaneous		<u>3,216.00</u>
		<u><u>\$ 361,714.65</u></u>

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

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
General Administration:					
Salaries and Wages	\$ 260,898.00	\$ 260,898.00	\$ 258,053.69	\$ 2,844.31	
Other Expenses	92,501.00	112,501.00	107,674.31	4,826.69	
Mayor and Council:					
Salaries and Wages	51,000.00	51,000.00	45,000.00	6,000.00	
Other Expenses	22,000.00	22,000.00	2,671.09	19,328.91	
Municipal Clerk:					
Salaries and Wages	116,247.00	116,247.00	115,296.59	950.41	
Other Expenses	44,493.00	44,493.00	28,538.08	15,954.92	
Financial Administration:					
Salaries and Wages	197,570.00	197,570.00	197,104.82	465.18	
Other Expenses	17,250.00	17,250.00	12,947.46	4,302.54	
Annual Audit	41,000.00	41,000.00	41,000.00		
Technology:					
Other Expenses	36,500.00	41,500.00	34,902.47	6,597.53	
Revenue Administration (Collection of Taxes):					
Salaries and Wages	104,005.00	89,005.00	79,455.04	9,549.96	
Other Expenses	43,000.00	43,000.00	24,007.90	18,992.10	
Tax Assessment Administration:					
Salaries and Wages	179,361.00	179,361.00	177,757.44	1,603.56	
Other Expenses	61,120.00	66,120.00	61,358.88	4,761.12	
Legal Services:					
Other Expenses	276,000.00	266,000.00	179,006.38	86,993.62	
Engineering Services:					
Other Expenses	25,000.00	25,000.00	20,509.58	4,490.42	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(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):					
GENERAL GOVERNMENT (Continued):					
Economic Development:					
Other Expenses	\$ 9,000.00	\$ 9,000.00	\$ 4,377.77	\$ 4,622.23	
Historic Society:					
Other Expenses	3,000.00	3,000.00	3,000.00		
Historical Preservation Commission:					
Other Expenses	2,500.00	2,500.00	855.50	1,644.50	
MUNICIPAL LAND USE LAW (N.J.S.A.40:55D-11):					
Land Use Board:					
Salaries and Wages	112,924.00	113,924.00	112,843.20	1,080.80	
Other Expenses	64,870.00	64,870.00	32,502.25	32,367.75	
INSURANCE:					
Liability Insurance	502,000.00	502,000.00	494,861.00	7,139.00	
Workers Compensation	368,000.00	368,000.00	364,789.26	3,210.74	
Employee Group Insurance (Health)	3,243,010.00	3,171,010.00	3,067,068.99	103,941.01	
Health Benefit Waiver	53,000.00	53,000.00	52,471.62	528.38	
Unemployment Insurance	5,000.00	5,000.00	5,000.00		
PUBLIC SAFETY FUNCTIONS:					
Police Department:					
Salaries and Wages	3,607,563.00	3,607,563.00	3,499,972.65	107,590.35	
Other Expenses	124,445.00	128,445.00	126,621.90	1,823.10	
Township Radio & Communications:					
Salaries and Wages	417,917.00	413,917.00	407,311.72	6,605.28	
Other Expenses	3,500.00	3,500.00	3,500.00		
Volunteer Emergency Services:					
Other Expenses	327,500.00	357,500.00	300,083.50	57,416.50	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(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	\$ 68,580.00	\$ 70,580.00	\$ 67,939.37	\$ 2,640.63	
Other Expenses	8,300.00	8,300.00	7,077.40	1,222.60	
Municipal Prosecutor:					
Other Expenses	27,000.00	27,000.00	27,000.00		
PUBLIC WORKS FUNCTIONS:					
Streets and Roads Maintenance:					
Salaries and Wages	1,300,468.00	1,344,468.00	1,342,537.40	1,930.60	
Other Expenses	380,357.00	385,357.00	383,826.77	1,530.23	
Recycling:					
Salaries and Wages	23,000.00	24,000.00	22,523.00	1,477.00	
Other Expenses	5,000.00	7,000.00	5,669.44	1,330.56	
Buildings and Grounds:					
Salaries and Wages	43,694.00	43,694.00	42,804.32	889.68	
Other Expenses	80,300.00	85,300.00	80,702.37	4,597.63	
Fleet Management:					
Salaries and Wages	182,894.00	204,894.00	197,115.62	7,778.38	
Other Expenses	180,000.00	200,000.00	186,411.02	13,588.98	
Municipal Services Act (Ch. 6, P.L. 1993):					
Other Expenses	375,000.00	375,000.00	324,687.77	50,312.23	
Environmental Commission (N.J.S.A.40:56A-1 etc.):					
Other Expenses	1,600.00	1,600.00	1,343.75	256.25	
Animal Control:					
Salaries and Wages	78,197.00	86,197.00	82,806.05	3,390.95	
Other Expenses	10,525.00	10,525.00	10,020.07	504.93	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Appropriations</u>		<u>Expended By</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
Operations Within "CAPS" (Continued):					
PUBLIC WORKS FUNCTIONS:					
Recreation Services and Programs:					
Salaries and Wages	\$ 77,724.00	\$ 77,724.00	\$ 76,812.00	\$ 912.00	
Other Expenses	48,450.00	48,450.00	46,035.75	2,414.25	
PARKS AND RECREATION FUNCTIONS:					
Senior Citizens:					
Salaries and Wages	18,028.00	18,028.00	16,870.00	1,158.00	
Other Expenses	60,800.00	60,800.00	57,961.84	2,838.16	
Maintenance of Parks:					
Salaries and Wages	174,482.00	174,482.00	167,122.35	7,359.65	
Other Expenses	25,000.00	25,000.00	21,410.99	3,589.01	
OTHER COMMON OPERATING FUNCTIONS:					
Municipal Court:					
Salaries and Wages	183,253.00	183,253.00	177,967.47	5,285.53	
Other Expenses	6,850.00	6,850.00	4,705.88	2,144.12	
UNIFORM CONSTRUCTION CODE:					
Construction Code Official:					
Salaries and Wages	406,225.00	406,225.00	404,614.23	1,610.77	
Other Expenses	11,300.00	11,300.00	8,967.95	2,332.05	
UTILITY EXPENSES AND BULK PURCHASES:					
Utilities	524,080.00	470,080.00	409,421.83	60,658.17	
Total Operations Within "CAPS"	14,713,281.00	14,732,281.00	14,034,897.73	697,383.27	
Detail:					
Salaries and Wages	7,604,030.00	7,663,030.00	7,491,906.96	171,123.04	
Other Expenses	7,109,251.00	7,069,251.00	6,542,990.77	526,260.23	

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
DEFERRED CHARGES:					
Emergency Authorizations	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00		
STATUTORY EXPENDITURES:					
Contributions to:					
Public Employees' Retirement System	471,437.00	471,437.00	471,437.00		
Social Security System (O.A.S.I.)	620,000.00	600,000.00	574,563.14	\$ 25,436.86	
Police and Firemen's Retirement System of NJ	777,332.00	777,332.00	777,332.00		
Defined Contribution Retirement Program	6,000.00	7,000.00	6,385.88	614.12	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	1,876,769.00	1,857,769.00	1,831,718.02	26,050.98	
Total General Appropriations for Municipal Purposes Within "CAPS"	16,590,050.00	16,590,050.00	15,866,615.75	723,434.25	
Operations Excluded from "CAPS":					
Employee Group Health Insurance	159,577.00	159,577.00	159,577.00		
Sussex County Municipal Utility Authority:					
Capital Improvement/Service Agreement	1,397,283.00	1,397,283.00	1,397,283.00		
Interlocal Municipal Service Agreements:					
911 Communication Service:					
Salaries and Wages	64,053.00	64,053.00	64,053.00		
Other Expenses	7,000.00	7,000.00	6,403.69	596.31	
Animal Control Services:					
Salaries and Wages	11,665.00	11,665.00	11,665.00		
Financial Services:					
Salaries and Wages	30,000.00	30,000.00	30,000.00		
Administrative Services:					
Salaries and Wages	48,000.00	48,000.00	48,000.00		

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(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 Excluded from "CAPS" (Continued):					
Interlocal Municipal Service Agreements (Continued):					
Dept. of Public Works:					
Salaries and Wages	\$ 120,000.00	\$ 120,000.00	\$ 98,219.62	\$ 21,780.38	
Senior Citizens:					
Salaries and Wages	22,700.00	22,700.00	22,700.00		
Public and Private Program Offset by Revenue:					
Municipal Alliance on Alcoholism and Drug Abuse:					
2015	20,467.00	20,467.00	20,467.00		
Drunk Driving Enforcement Grant - 2015 (N.J.S.A.40A:4-87 + \$10,014.92)		10,014.92	10,014.92		
Safe and Secure Communities Grant					
Salaries and Wages:					
2013	5,000.00	5,000.00	5,000.00		
2014	55,000.00	55,000.00	55,000.00		
Alcohol Education and Rehabilitation (N.J.S.A.40A:4-87 + \$1,414.40)		1,414.40	1,414.40		
Clean Communities Program:					
2015 (N.J.S.A.40A:4-87 + \$56,165.53)		56,165.53	56,165.53		
Body Armor Grant:					
State Share 2015 (N.J.S.A. 40A:4-87 + \$3,110.02)		3,110.02	3,110.02		
Federal Share (N.J.S.A.40A:4-87 + \$3,557.26)		3,557.26	3,557.26		
NJ Division of Highway Traffic Safety:					
Click It or Ticket (N.J.S.A.40A:4-87 + \$4,000.00)		4,000.00	4,000.00		
Drive Sober or Get Pulled Over - 2015 (N.J.S.A.40A:4-87 + \$5,000.00)		5,000.00	5,000.00		

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(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 Excluded from "CAPS" (Continued):					
Public and Private Program Offset by Revenue (Continued):					
NJ Highlands Water Protection & Planning Council:					
Highlands Plan Conformance Grant					
(N.J.S.A.40A:4-87 + \$125,747.15)		\$ 125,747.15	\$ 125,747.15		
Recreational Opportunities for Individuals with					
Disabilities Grant:					
State Share	\$ 14,400.00	14,400.00	14,400.00		
Local Share	3,600.00	3,600.00	3,600.00		
Vernon Township Municipal Utilities Authority					
Sewer Easement (N.J.S.A.40A:4-87 + \$140,000.00)		140,000.00	140,000.00		
Atlantic Health Systems					
Traffic Safety Mini- Grant (N.J.S.A.40A:4-87 + \$500.00)		500.00	500.00		
Total Operations Excluded from "CAPS"	1,958,745.00	2,308,254.28	2,285,877.59	\$ 22,376.69	
Detail:					
Salaries and Wages	356,418.00	356,418.00	334,637.62	21,780.38	
Other Expenses	1,602,327.00	1,951,836.28	1,951,239.97	596.31	
Operations Excluded from "CAPS" (Continued):					
Capital Improvements-Excluded from "CAPS":					
Capital Improvement Fund	190,000.00	190,000.00	190,000.00		
Total Capital Improvements Excluded from "CAPS"	190,000.00	190,000.00	190,000.00		

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Principal	\$ 1,537,825.00	\$ 1,537,825.00	\$ 1,537,825.00		
Payment of Bond Anticipation Notes and Capital Notes	272,503.00	272,503.00	272,503.00		
Interest on Bonds	692,292.00	692,292.00	691,574.16		\$ 717.84
Interest on Notes	90,409.00	90,409.00	90,408.57		0.43
Loan Repayments for Principal and Interest (PVL Dam)	10,184.00	10,184.00	10,184.00		
Interest on Emergency Notes	3,720.00	3,720.00	3,720.00		
Bond Sinking Fund	150,000.00	150,000.00	150,000.00		
Capital Lease Obligations	10,690.00	10,690.00	10,689.12		0.88
Total Municipal Debt Service Excluded from "CAPS"	2,767,623.00	2,767,623.00	2,766,903.85		719.15
Deferred Charges:					
Special Emergency Authorizations - 5 Years (N.J.S.A. 40A:4-55):					
Hurricane Irene	240,000.00	240,000.00	240,000.00		
Deferred Charges Unfunded - Ordinance 05-09,06-06	898.00	898.00	898.00		
Total Deferred Charges - Municipal - Excluded from "CAPS"	240,898.00	240,898.00	240,898.00		
Total General Appropriations Excluded from "CAPS"	5,157,266.00	5,506,775.28	5,483,679.44	\$ 22,376.69	719.15
Subtotal General Appropriations	21,747,316.00	22,096,825.28	21,350,295.19	745,810.94	719.15
Reserve for Uncollected Taxes	1,992,412.00	1,992,412.00	1,992,412.00		
Total General Appropriations	\$ 23,739,728.00	\$ 24,089,237.28	\$ 23,342,707.19	\$ 745,810.94	\$ 719.15

Ref.

A

TOWNSHIP OF VERNON
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Ref.</u>	Analysis of	
		<u>Budget After Modification</u>	<u>Paid or Charged</u>
Adopted Budget		\$ 23,739,728.00	
Added by:			
N.J.S.A. 40A:4-87		<u>349,509.28</u>	
		<u>\$ 24,089,237.28</u>	
Cash Disbursed			\$ 21,279,687.71
Reserve for Uncollected Taxes			1,992,412.00
Encumbrances	A		166,057.77
Accrued Payroll			18,548.33
Deferred Charges:			
Special Emergency Authorizations			240,000.00
Emergency Authorizations			2,000.00
Transfer to Appropriated Grant Reserves:			
Federal, State and Local Grants			444,376.28
Local Matching Funds			3,600.00
Due to General Capital Fund			<u>42,261.54</u>
			24,188,943.63
Less: Appropriation Refunds			<u>846,236.44</u>
			<u>\$ 23,342,707.19</u>

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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2015
TRUST FUNDS

TOWNSHIP OF VERNON
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
			(Restated)
	Ref.	2015	2014
<u>ASSETS</u>			
Assessment Trust Fund:			
Cash and Cash Equivalents	B-4	\$ 192,679.03	\$ 215,073.53
Assessment Receivable	B-7	52,979.15	62,759.65
Assessment Liens	B-9	352.40	352.40
Assessment Liens Interest and Costs	B-10	56.31	56.31
		<u>246,066.89</u>	<u>278,241.89</u>
Animal Control Fund:			
Cash and Cash Equivalents	B-4	<u>106,359.20</u>	<u>101,703.00</u>
Other Trust Funds:			
Cash and Cash Equivalents		2,435,225.20	2,476,387.78
Investments		<u>15,000.00</u>	<u>15,000.00</u>
	B-4	<u>2,450,225.20</u>	<u>2,491,387.78</u>
Due from Current Fund	A		10,339.12
Due from Pleasant Valley Lake Dam Trust Fund	B		<u>2,530.15</u>
		<u>2,450,225.20</u>	<u>2,504,257.05</u>
Open Space Trust Fund:			
Cash and Cash Equivalents	B-4	<u>987,729.85</u>	<u>1,003,894.38</u>
Pleasant Valley Lake Dam Trust Fund:			
Cash and Cash Equivalents	B-4	440,018.59	456,064.40
Due from Current Fund	A		49,328.82
Accounts Receivable		97,234.36	161,666.16
Lien Receivable		<u>28,141.23</u>	<u>42,449.23</u>
		<u>565,394.18</u>	<u>709,508.61</u>
<u>TOTAL ASSETS</u>		<u>\$ 4,355,775.32</u>	<u>\$ 4,597,604.93</u>
<u>LIABILITIES AND RESERVES</u>			
Assessment Trust Fund			
Serial Bonds Payable	B-8	\$ 198,900.00	\$ 231,075.00
Reserve for:			
Assessments and Liens	B-11	37,352.68	37,352.68
Assessment Liens Interest and Costs		56.31	56.31
Fund Balance	B-1	<u>9,757.90</u>	<u>9,757.90</u>
		<u>246,066.89</u>	<u>278,241.89</u>
Animal Control Fund:			
Reserve for Animal Control Expenditures	B-6	106,359.20	101,703.00

TOWNSHIP OF VERNON
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

		December 31,	
			(Restated)
	Ref.	2015	2014
<u>LIABILITIES AND RESERVES</u>			
Other Trust Funds:			
Due to State of New Jersey:			
Building Surcharge		\$ 5,526.00	\$ 15,625.00
Reserve for:			
Developers Escrow Deposits Payable		53,865.00	58,365.00
Planning Board Application Deposits		160,935.80	134,797.60
Unemployment		51,527.79	57,375.87
Deposit for Redemption		19,572.90	10,561.19
Recreation		167,407.16	151,273.00
Parking Offense Adjudication Act		396.00	336.00
Premiums on Tax Sale		991,344.00	1,016,900.00
M.A.C. Donations		8,660.27	8,660.27
Fire Prevention Penalties		11,324.93	9,117.93
Stream Clear Signs		4,875.58	4,875.58
Public Defender Fees		13,963.00	10,450.00
Police Outside Services		2,097.78	28,646.73
Senior Citizens Center		1,245.64	3,410.21
Compensated Absences		215,991.66	240,270.83
Small Cities Housing		1,733.00	1,733.00
Storm Recovery		133,699.16	67,119.99
Council on Affordable Housing		238,305.15	239,281.43
Developers Bonds		262,259.18	343,169.70
Pleasant Valley Dam Rehabilitation		5,610.02	5,596.00
Barry Lakes Dam		5,022.95	5,010.39
Net Payroll and Payroll Deductions		70,865.73	72,623.57
Animal Control Donations		23,996.50	19,057.76
		<u>2,450,225.20</u>	<u>2,504,257.05</u>
Open Space Trust Fund:			
Reserve for Open Space		<u>987,729.85</u>	<u>1,003,894.38</u>
Pleasant Valley Lake Dam Trust Fund:			
Due to Current Fund	A	50.04	
Due to Other Trust Funds	B		2,530.15
Due to Pleasant Valley Lake Homeowners Association:			
Capitalized Interest		140,441.23	140,441.23
Accrued Interest - Future Years		14,483.77	24,667.20
New Jersey Department of Environmental Protection			
Loan Payable - Future Years		410,419.14	541,870.03
		<u>565,394.18</u>	<u>709,508.61</u>
TOTAL LIABILITIES AND RESERVES		\$ 4,355,775.32	\$ 4,597,604.93

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

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	<u>Total</u>	<u>Road Assessment</u>
Balance December 31, 2014	B	<u>\$ 9,757.90</u>	<u>\$ 9,757.90</u>
Balance December 31, 2015	B	<u><u>\$ 9,757.90</u></u>	<u><u>\$ 9,757.90</u></u>

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

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
STATEMENT OF REVENUE - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	Budget Revenue	Realized	Excess/ Deficit*
Assessment Cash	\$ 163,625.89	\$ 32,175.00	\$ 131,450.89 *

ASSESSMENT TRUST FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2015

	Budget	Paid or Charged	Unexpended Balance Canceled
Payment of Bond/Loan Principal	\$ 163,625.89	\$ 32,175.00	\$ 131,450.89

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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2015
GENERAL CAPITAL FUND

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	Ref.	2015	2014
<u>ASSETS</u>			
Cash and Cash Equivalents		\$ 1,749,551.49	\$ 1,930,062.88
Investments			402,504.28
	C-2	1,749,551.49	2,332,567.16
Due from Current Fund	A	42,261.54	
State and Federal Grants Receivable		56,764.25	50,000.00
Deferred Charges to Future Taxation:			
Funded		18,336,100.00	19,873,925.00
Unfunded	C-4	12,212,166.00	11,218,942.00
<u>TOTAL ASSETS</u>		<u>\$ 32,396,843.28</u>	<u>\$ 33,475,434.16</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 18,336,100.00	\$ 19,873,925.00
Bond Anticipation Notes Payable	C-7	11,296,166.00	9,852,044.00
Improvement Authorizations:			
Funded	C-5	35,623.98	98,505.44
Unfunded	C-5	1,468,618.15	2,689,452.02
Capital Improvement Fund	C-6	42,292.38	42,644.36
Bond Sinking Fund			300,000.00
Reserve for:			
Encumbrances		661,331.17	486,345.77
Payment of Debt Service		412.66	412.66
Capital Projects		407.50	407.50
Fund Balance	C-1	555,891.44	131,697.41
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 32,396,843.28</u>	<u>\$ 33,475,434.16</u>

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

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance December 31, 2014	C	\$ 131,697.41
Increased by:		
Premium on Sale of Notes	\$ 91,724.59	
Bond Sinking Fund Canceled	450,000.00	
Improvement Authorizations Canceled	54,324.44	
		596,049.03
		727,746.44
Decreased by:		
Appropriated to Finance Improvement		
Authorizations	80,000.00	
Payment to Current Fund as Anticipated		
Revenue per Budget	91,855.00	
		171,855.00
Balance December 31, 2015	C	\$ 555,891.44

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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2015
WATER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2015
SEWER UTILITY FUND

NOT APPLICABLE

TOWNSHIP OF VERNON

COUNTY OF SUSSEX

2015

GENERAL FIXED ASSETS ACCOUNT GROUP

TOWNSHIP OF VERNON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET

	December 31,	
	2015	2014
<u>ASSETS</u>		
Land and Land Improvements	\$ 9,149,203.00	\$ 7,346,503.00
Buildings and Building Improvements	2,227,791.65	2,227,791.65
Machinery and Equipment	12,996,649.69	12,898,683.35
<u>TOTAL ASSETS</u>	<u>\$ 24,373,644.34</u>	<u>\$ 22,472,978.00</u>
 <u>RESERVES</u>		
Reserve for General Fixed Assets	\$ 24,373,644.34	\$ 22,472,978.00
<u>TOTAL RESERVES</u>	<u>\$ 24,373,644.34</u>	<u>\$ 22,472,978.00</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, 2015

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, 2015
(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 and the Township's net pension liability and related deferred inflows and outflows would be recorded.

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, 2015
(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.

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 New Jersey Administrative Code accounting requirements, 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 or assessed value. 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, 2015
(Continued)

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

E. Other significant accounting policies include: (Cont'd)

General Fixed Assets Account Group (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,		
	2015	2014	2013
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 29,632,266.00	\$ 29,725,969.00	\$ 29,124,917.10
Assessment Trust:			
Bonds, Loans and Notes	198,900.00	231,075.00	270,082.90
Pleasant Valley Lake Homeowners Association Debt Guaranteed by the Township	410,419.14	541,870.03	670,730.83
Net Debt Issued	<u>30,241,585.14</u>	<u>30,498,914.03</u>	<u>30,065,730.83</u>
Less - Funds Temporarily Held to Pay			
Bonds, Notes and Loans:			
Reserve to Pay Debt Service - General	412.66	412.66	412.66
Bond Sinking Fund		300,000.00	150,000.00
Assessment Trust Cash	182,921.13	205,315.63	222,180.58
Loans Issued by Another Entity to be Guaranteed by the Township	410,419.14	541,870.03	670,730.83
Total Deductions	<u>593,752.93</u>	<u>1,047,598.32</u>	<u>1,043,324.07</u>
Net Issued	<u>29,647,832.21</u>	<u>29,451,315.71</u>	<u>29,022,406.76</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

Summary of Municipal Debt (Cont'd)

	December 31,		
	2015	2014	2013
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	\$ 916,000.00	\$ 1,366,898.00	\$ 1,766,898.00
Total Authorized but not Issued	<u>916,000.00</u>	<u>1,366,898.00</u>	<u>1,766,898.00</u>
 Net Bonds, Notes and Loans Issued and Authorized but not Issued	 <u>\$ 30,563,832.21</u>	 <u>\$ 30,818,213.71</u>	 <u>\$ 30,789,304.76</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.24%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 13,605,000.00	\$ 13,605,000.00	
General Debt	30,548,266.00	410,831.80	\$ 30,137,434.20
Assessment Trust Debt	<u>198,900.00</u>	<u>182,921.13</u>	<u>15,978.87</u>
	<u>\$ 44,762,585.14</u>	<u>\$ 14,198,752.93</u>	<u>\$ 30,563,832.21</u>

Net Debt of \$30,563,831.21 divided by Equalized Valuation Basis Per N.J.S. 40A:2-2 as Amended, \$2,458,711,971.33 = 1.24%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 86,054,919.00
Net Debt	<u>30,563,832.21</u>
Remaining Borrowing Power	<u>\$ 55,491,086.79</u>

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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

	Balance 12/31/14	Additions	Retirements	Balance 12/31/15
Serial Bonds:				
General Capital Fund	\$19,873,925.00		\$ 1,537,825.00	\$18,336,100.00
Assessment Trust Fund	231,075.00		32,175.00	198,900.00
Bond Anticipation / Special				
Emergency Notes:				
Current Fund	600,000.00	\$ 360,000.00	600,000.00	360,000.00
General Capital Fund	9,852,044.00	11,296,166.00	9,852,044.00	11,296,166.00
	30,557,044.00	11,656,166.00	12,022,044.00	30,191,166.00
Capital Lease Payable	28,433.76		8,732.46	19,701.30
Total	<u>\$30,585,477.76</u>	<u>\$11,656,166.00</u>	<u>\$12,030,776.46</u>	<u>\$30,210,867.30</u>

	Balance 12/31/13	Additions	Retirements	Balance 12/31/14
Serial Bonds:				
General Capital Fund	\$21,520,917.10	\$ 4,925,125.00	\$ 6,572,117.10	\$19,873,925.00
Assessment Trust Fund	270,082.90	199,875.00	238,882.90	231,075.00
Bond Anticipation / Special				
Emergency Notes:				
Current Fund	600,000.00	600,000.00	600,000.00	600,000.00
General Capital Fund	7,604,000.00	9,852,044.00	7,604,000.00	9,852,044.00
	29,995,000.00	15,577,044.00	15,015,000.00	30,557,044.00
Capital Lease Payable	36,497.77		8,064.01	28,433.76
Total	<u>\$30,031,497.77</u>	<u>\$15,577,044.00</u>	<u>\$15,023,064.01</u>	<u>\$30,585,477.76</u>

Analysis of Debt Issued and Outstanding at December 31, 2015

General Capital Serial Bonds Payable

<u>Description</u>	Final Maturity	Interest Rate	Balance Dec. 31, 2015
General Bonds of 2011	01/01/26	3.00%-4.57%	\$ 10,760,000.00
Improvement to Sanitary Sewage System	01/01/33	4.25%-4.40%	2,675,000.00
Refunding Bonds of 2014	01/01/21	2.00%-4.00%	4,901,100.00
			<u>\$ 18,336,100.00</u>

Assessment Trust Serial Bonds Payable

<u>Description</u>	Final Maturity	Interest Rate	Balance Dec. 31, 2015
Refunding Bonds of 2014	01/01/21	2.00%-4.00%	<u>\$ 198,900.00</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

Analysis of Debt Issued and Outstanding at December 31, 2015 (Cont'd)

Current Fund Special Emergency Notes Payable

Description	Final Maturity	Interest Rate	Balance Dec. 31, 2015
Special Emergency	09/16/16	0.60%	\$ 360,000.00

General Capital Bond Anticipation Notes Payable

Description	Final Maturity	Interest Rate	Balance Dec. 31, 2015
Various Capital Improvements	03/25/16	1.50%	\$ 1,324,187.00
Various Emergency Services Purposes	03/25/16	1.50%	1,134,900.00
Acquisition of Sanitary Sewerage Collection and Transmission Facilities	03/25/16	1.50%	3,760,784.00
Restructuring of a Portion of the Cost of Acquisition of Capacity at the Sanitary Sewage Treatment Plant of the Sussex County Municipal Utilities Authority	10/28/16	0.75%	1,743,670.00
Various Capital Improvements	03/25/16	1.50%	2,066,000.00
Various Capital Improvements	09/16/16	0.60%	1,266,625.00
			<u>\$ 11,296,166.00</u>
Total Debt Issued and Outstanding			<u>\$ 30,191,166.00</u>

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	
2016	\$ 1,630,875.00	\$ 680,643.18	\$ 34,125.00	\$ 13,973.32	\$ 2,359,616.50
2017	1,691,265.00	629,329.32	33,735.00	10,260.16	2,364,589.48
2018	1,771,655.00	574,310.52	33,345.00	6,504.52	2,385,815.04
2019	1,806,850.00	511,886.70	33,150.00	3,244.80	2,355,131.50
2020	1,851,850.00	442,899.70	33,150.00	1,918.80	2,329,818.50
2021-2025	6,793,605.00	1,312,031.60	31,395.00	627.90	8,137,659.50
2026-2030	2,190,000.00	268,550.00			2,458,550.00
2031-2033	600,000.00	39,600.00			639,600.00
	<u>\$18,336,100.00</u>	<u>\$ 4,459,251.02</u>	<u>\$ 198,900.00</u>	<u>\$ 36,529.50</u>	<u>\$23,030,780.52</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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, 2015.

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ 10,689.12
2017	10,693.96
Total minimum lease payments	21,383.08
Less: Amount representing interest	(1,681.78)
	<u>\$ 19,701.30</u>

Guaranteed Debt – Pleasant Valley Lake Dam Rehabilitation

The Pleasant Valley Lake Country Club, Inc. ("PVL") is a not for profit corporation organized and existing under the laws of the State of New Jersey and is the owner of a dam that was determined to be in need of repair, improvement and rehabilitation in order to bring the dam into compliance with the applicable standards established by the State of New Jersey, the Department of Environmental Protection ("NJDEP").

In 1998, PVL entered into a loan agreement with the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection to finance the cost of the dam rehabilitation project. By the completion of the project in 2003, PVL has borrowed or "drawn down" \$1,827,628.48 of NJDEP loan funds. Principal repayments to NJDEP commenced on January 14, 2014 on a semiannual basis and will continue until July 14, 2018 at two percent interest.

As required by NJDEP regulations, N.J.A.C. 7:24A1-1 et seq., the Township of Vernon entered into a co-borrower agreement with PVL as a guarantor of the NJDEP loan. As a result of this guarantee, the Township of Vernon is contingently liable should PVL fail to meet their obligations to NJDEP. As of December 31, 2015, the balance of the guaranteed loan is \$410,419.16.

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$11,661,821 at June 30, 2015. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$16,057,593 at June 30, 2015. See Note 5 for further information on the PERS and PFRS.

Note 3: Fund Balances Appropriated

Fund balance at December 31, 2015, which is appropriated and included in the Current Fund budget for the year ending December 31, 2016, is as follows:

Current Fund	\$ 1,100,000.00
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TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 4: Local School District Taxes

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

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

Note 5: Pension Plans

Township employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$471,437 for 2015.

The employee contribution rate was 6.92% effective July 1, 2014 and increased to 7.06% effective July 1, 2015. Subsequent 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.

Pension Liabilities and Pension Expense

At June 30, 2015, the Township's liability was \$11,661,821 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the Township's proportion was 0.052%, which was a decrease of 0.002% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Township recognized actual pension expense in the amount of \$471,437.

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions (Cont'd)

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 5: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Township's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Township's proportionate share of the collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Township's proportionate share of the Net Pension Liability	\$ 14,494,216	\$ 11,661,821	\$ 9,287,161

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Police and Firemen's Retirement System (PFRS)

Plan Description

The State of New Jersey, State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after 4 years of service. The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. The June 30, 2015 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Special Funding Situation (Cont'd)

The fiscal year ending June 30, 2015 State special funding situation pension expense is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2015. The pension expense is deemed to be a State administrative expense due to the special funding situation. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific funded amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

Township contributions to PFRS amounted to \$777,332 for the year ended December 31, 2015. During the fiscal year ended June 30, 2015, the State of New Jersey contributed \$73,304 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$175,652.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Pension Liabilities and Pension Expense

At June 30, 2015, the Township's liability for its proportionate share of the net pension liability was \$16,057,593. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the Township's proportion was 0.096%, which was an increase of 0.001% from its proportion measured as of June 30, 2014.

Additionally, the State's proportionate share of the net pension liability attributable to the Township is \$1,408,197 as of June 30, 2015. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The State's proportionate share of the net pension liability associated with the Township was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the State's proportion was 0.096%, which was an increase of 0.001% from its proportion measured as of June 30, 2014 which is the same proportion as the Township's.

Township's Proportionate Share of the Net Pension Liability	\$ 16,057,593
State's Proportionate Share of the Net Pension Liability Associated with the Township	<u>1,408,197</u>
Total Net Pension Liability	<u>\$ 17,465,790</u>

For the year ended December 31, 2015, the Township recognized total pension expense of \$777,332.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.60% - 9.48% based on age
Thereafter	3.60% - 10.48% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 5.79% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the average of the last five years of contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Township) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Township) as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2015		
	1% Decrease (4.79%)	Current Discount Rate (5.79%)	1% Increase (6.79%)
Township's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Township	\$ 23,025,456	\$ 17,465,790	\$ 12,932,379

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 5: Pension Plans (Cont'd)

B. Police and Firemen's Retirement System (PFRS) (Cont'd)

Plan Fiduciary Net Position - PFRS

Detailed information about the PFRS's fiduciary net position is available in the separately issued PFRS financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. 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 the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. 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.

For DCRP, the Township recognized pension expense of \$6,386 for the year ended December 31, 2015. Employee contributions to DCRP amounted to \$11,708 for the year ended December 31, 2015.

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 \$740,551.75. 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 \$215,991.66 on the Trust Fund balance sheet at December 31, 2015.

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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 7: Selected Tax Information (Cont'd)

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

	2015	2014	2013
<u>Tax Rate</u>	\$ 2.608	\$ 2.632	\$ 2.629
<u>Apportionment of Tax Rate</u>			
Municipal	.576	.569	.574
County	.477	.496	.488
Local School	1.555	1.567	1.567
<u>Assessed Valuations</u>			
2015	\$ 2,644,402,594.00		
2014		\$ 2,656,047,407.00	
2013			\$ 2,695,008,717.00

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>
2015	\$ 69,024,376.01	\$ 66,346,774.84	96.12%
2014	69,981,815.41	67,580,208.44	96.56%
2013	71,052,498.31	68,401,826.25	96.26%

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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

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

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

Deposits

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

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

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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

Investments (Cont'd)

(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, 2015, 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	\$ 745.00	\$ 4,219,484.10		\$ 4,220,229.10
Assessment Trust		192,679.03		192,679.03
Animal Control		106,359.20		106,359.20
Other Trust		2,435,225.20	\$ 15,000.00	2,450,225.20
Open Space Trust		987,729.85		987,729.85
Pleasant Valley Lake Trust		440,018.59		440,018.59
General Capital		1,749,551.49		1,749,551.49
	<u>\$ 745.00</u>	<u>\$ 10,131,047.46</u>	<u>\$ 15,000.00</u>	<u>\$ 10,146,792.46</u>

The Township has \$15,000.00 of investments in the form of certificates of deposits as of the year ended December 31, 2015. The carrying amount of the Township's cash and cash equivalents and investments at year end was \$10,146,792.46 and the bank balance was \$10,724,789.89.

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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 9: Risk Management (Cont'd)

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, 2015 audit report was not available as of the date of this report. Selected, summarized financial information for the Fund as of December 31, 2014 is as follows:

Total Assets	\$ 37,339,955
Net Position	\$ 5,177,252
Total Revenue	\$ 25,202,318
Total Expenses	\$ 27,035,844
Change in Net Position	\$ (1,833,526)
Members Dividends	\$ -0-

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

Statewide Insurance Fund
One Sylvan Way
Parsippany, NJ 07054
(862) 260-2050

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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 9: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance (Cont'd)

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>
2015	\$ 5,000.00	\$ 18,719.22	\$ 114.60	\$ 29,681.90	\$ 51,527.79
2014	10,000.00	18,083.15	87.54	29,537.35	57,375.87
2013	15,000.00	17,164.07	62.34	17,124.40	58,742.53

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.
- 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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
 (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)

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.
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;

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(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)

- 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 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 served 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.
- 2. For employees hired on or after January 1, 2010, and who retire within the meaning of PERS and who served 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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 10: Post Retirement Benefits (Cont'd)

Plan Description (Cont'd)

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 2015, 2014 and 2013, the Township had approximately 150, 150 and 150 employees, respectively, who met eligibility requirements and recognized expenses of approximately \$1,399,350, \$1,018,740 and \$974,398 in 2015, 2014 and 2013, respectively.

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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 10: Post Retirement Benefits (Cont'd)

Plan Description (Cont'd)

2. Non-bargaining Employees (Cont'd)

Annual OPEB Cost per Actuarial Valuation (Cont'd)

	Benefit Obligations and Normal Cost		
	2015	2014	2013
Actuarial Accrued Liability (AAL)			
Retired employees	\$ 23,074,710.00	\$ 24,282,726.00	\$ 25,186,887.00
Active employees	5,581,898.00	4,256,978.00	2,868,531.00
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 28,656,608.00</u>	<u>\$ 28,539,704.00</u>	<u>\$ 28,055,418.00</u>
Normal cost (with interest) at year end	\$ 252,109.00	\$ 252,109.00	\$ 252,109.00
Amortization factor based on 30 years	\$ 1,759,273.00	\$ 1,752,096.00	\$ 1,722,365.00
Covered Payroll (Active Plan Members as of December 31)	\$ 7,305,113.00	\$ 7,478,216.00	\$ 6,404,585.00
UAAL as a Percentage of Covered Payroll as of December 31	392.28%	381.64%	438.05%

Level Dollar Amortization			
Calculation of ARC under Projected Unit Credit Cost Method			
	2015	2014	2013
ARC normal cost with interest at end of year	252,109.00	\$ 252,109.00	\$ 252,109.00
Amortization of unfunded actuarial accrued liability (UAAL) over 30 years with interest at year end	1,759,273.00	1,752,096.00	1,722,365.00
Annual Required Contribution (ARC)	2,011,382.00	2,004,205.00	1,974,474.00
Interest on net OPEB obligation	-0-	-0-	-0-
Adjustment to ARC	-0-	-0-	-0-
Annual OPEB cost (expense)	2,011,382.00	2,004,205.00	1,974,474.00
Pay as you go benefits	(1,399,351.00)	(1,018,740.00)	(690,856.00)
Net OPEB expense at December 31	612,031.00	985,465.00	1,283,618.00
Prior Year	3,378,224.00	2,392,759.00	1,109,141.00
Net OPEB obligation at December 31	<u>\$ 3,990,255.00</u>	<u>\$ 3,378,224.00</u>	<u>\$ 2,392,759.00</u>
Unfunded actuarial accrued liability (December 31, 2013)			<u>\$ 28,055,418.00</u>
Unfunded actuarial accrued liability (December 31, 2014)			<u>\$ 28,539,704.00</u>
Unfunded actuarial accrued liability (December 31, 2015)			<u>\$ 28,656,608.00</u>

Funding Status and Funding Progress

As of December 31, 2015, the actuarial accrued liability for benefits was \$28,656,608, all of which is unfunded.

Actuarial Methods and Assumptions

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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 10: Post Retirement Benefits (Cont'd)

Plan Description (Cont'd)

2. Non-bargaining Employees (Cont'd)

Actuarial Methods and Assumptions (Cont'd)

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.

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 2015 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, 2015.

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

In addition, the Township has financing agreements in place for the debt related to the sewer system with several other entities and for debt related to the dam rehabilitations at Pleasant Valley Lake and Barry Lake with the property owners association. If these entities were to default, the Township would be required to pay the debt service related to the sewer system and the dam rehabilitations.

The Township made a claim in a prior year 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 Township received \$30,226.87 from the Trustee on this claim and the remaining receivable and reserve were cancelled in 2015.

Various tax appeals on assessed valuations have been filed against the Township and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Township's Tax Assessor will aggressively defend the Township's assessments. The Township has established a reserve in the amount of \$333,000.00 so as to provide for the full amount of this contingency.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 12: Interfund Receivables and Payables

The following interfund balances remained on the various balance sheets at December 31, 2015:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 50.04	\$ 151,998.46
Federal and State Grant Fund	109,736.92	
Pleasant Valley Lake Trust Fund		50.04
General Capital Fund	42,261.54	
	<u>\$ 152,048.50</u>	<u>\$ 152,048.50</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 General Capital Fund is Current Fund expense paid by the General Capital Fund on behalf of the Current Fund.

Note 13: Economic Dependency

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

Note 14: Fixed Assets

The following is a summarization of general fixed assets for the years ended December 31, 2015 and 2014:

	<u>Balance Dec. 31, 2014</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance Dec. 31, 2015</u>
Land & Land Improvements	\$ 7,346,503.00	\$ 754,000.00	\$ 1,200.00	\$ 8,099,303.00
Buildings & Building Improvements	2,227,791.65			2,227,791.65
Machinery and Equipment	12,898,683.35	785,832.26	687,865.92	12,996,649.69
	<u>\$ 22,472,978.00</u>	<u>\$ 1,539,832.26</u>	<u>\$ 689,065.92</u>	<u>\$ 23,323,744.34</u>

	<u>Balance Dec. 31, 2013</u>	<u>Additions/ Adjustments</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2014</u>
Land & Land Improvements	\$ 6,776,403.00	\$ 570,100.00		\$ 7,346,503.00
Buildings & Building Improvements	2,228,123.75		\$ 332.10	2,227,791.65
Machinery and Equipment	12,101,494.20	818,995.36	21,806.21	12,898,683.35
	<u>\$ 21,106,020.95</u>	<u>\$ 1,389,095.36</u>	<u>\$ 22,138.31</u>	<u>\$ 22,472,978.00</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 15: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2015, the following deferred charges are shown on the balance sheet of the Current Fund:

	<u>Balance Dec. 31, 2015</u>	<u>Required 2016 Budget Appropriation</u>	<u>Balance to Succeeding Years' Budgets</u>
Current Fund:			
Special Emergency Authorizations (N.J.S.A. 40A:4-53)	\$ 360,000.00	\$ 240,000.00	\$ 120,000.00

The appropriation in the 2016 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: Related Parties Transactions

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

Note 18: Prior Period Adjustment

The balance sheets for the Current Fund and Trust Funds were restated to correct the activities for the Pleasant Valley Lake ("PVL") Dam Rehabilitation project. In 2003, it was recorded as an Assessment Trust Fund in error instead of a dedicated trust fund. The Township, as required by New Jersey Department of Environmental Protection regulations, N.J.A.C. 7:24A1-1 et seq., is a guarantor of the loan for the property owners association but not a direct debtor of the loan.

	<u>Balance 12/31/14</u>	<u>Retroactive Adjustments</u>	<u>Balance 12/31/14 Restated</u>
Current Fund:			
Assets:			
Due from Assessment Trust Fund	\$ 22.10	\$ (22.10)	\$ -0-
Liabilities, Reserves and Fund Balance:			
Due to Pleasant Valley Lake Dam Trust Fund		49,328.82	49,328.82
Due to Other Trust Funds	9,855.13	483.99	10,339.12
Reserve for Receivables and Other Assets	9,728,305.86	(22.10)	9,728,283.76
Fund Balance	2,833,075.14	(49,812.81)	2,783,262.33

TOWNSHIP OF VERNON
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2015
 (Continued)

Note 18: Prior Period Adjustment (Cont'd)

	Balance 12/31/14	Retroactive Adjustments	Balance 12/31/14 Restated
<u>Trust Funds:</u>			
Assets:			
Assessment Trust Fund:			
Cash and Cash Equivalents	\$ 671,137.93	\$ (456,064.40)	\$ 215,073.53
Assessment Receivable	233,368.31	(170,608.66)	62,759.65
Assessment Liens	44,079.13	(43,726.73)	352.40
Assessment Liens Interest and Costs	56.31		56.31
Pleasant Valley Lake Dam Trust Fund:			
Cash and Cash Equivalents		456,064.40	456,064.40
Due from Current Fund		49,328.82	49,328.82
Accounts Receivable		161,666.16	161,666.16
Lien Receivable		42,449.23	42,449.23
Other Trust Funds:			
Due from:			
Current Fund	9,855.13	483.99	10,339.12
Assessment Trust Fund	33.50	(33.50)	-0-
Pleasant Valley Lake Dam Trust Fund		2,530.15	2,530.15
Liabilities and Reserves:			
Assessment Trust Fund			
Due to Current Fund	22.10	(22.10)	-0-
Due to Other Trust Funds	33.50	(33.50)	-0-
NJDEP Loan Payable	541,870.03	(541,870.03)	-0-
Reserve for:			
Assessment Escrow	5,060.12	(5,060.12)	-0-
Assessments and Liens	100,550.12	(63,197.44)	37,352.68
Fund Balance	69,974.50	(60,216.60)	9,757.90
Pleasant Valley Lake Dam Trust Fund:			
Due to:			
Other Trust Funds		2,530.15	2,530.15
Pleasant Valley Lake Homeowners Assn:			
Capitalized Interest		140,441.23	140,441.23
Accrued Interest - Future Years		24,667.20	24,667.20
NJDEP Loan Payable - Future Years		541,870.03	541,870.03
Other Trust Funds:			
Reserve for Developers Bonds	340,189.06	2,980.64	343,169.70

TOWNSHIP OF VERNON

SUPPLEMENTARY DATA

TOWNSHIP OF VERNON
OFFICIALS IN OFFICE AND SURETY BONDS
YEAR ENDED DECEMBER 31, 2015

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		
Jean Murphy	Councilmember		
Brian Lynch	Councilmember		
Daniel Kadish	Councilmember		
Richard Wetzel	Councilmember		
William Zuckerman	Business Administrator	*	*
Lauren Kirkman	Municipal Clerk	*	*
Antoinette Izzo	Tax Collector (to 08/01/15)	*	*
Josephine Prisco	Interim Tax Collector (from 08/03/15 to 09/12/15)	*	*
Lisa Kimkowski	Tax Collector (from 09/14/15)	*	*
Elke Yetter	Chief Financial Officer	*	*
James Devine	Magistrate	*	*
Donna Zuidema	Court Administrator	*	*
Lindsay Miller	Deputy Court Administrator	*	*
Thomas Pinand	Construction Official (to 06/30/15)	*	*
Dave Condon	Construction Official (from 07/01/15)	*	*
Thomas Maellaro	Animal Control Officer	*	*
Arthur R. Mills	Police Chief	*	*
John Ursin	Attorney		
Richard Wenner	Special Labor Counsel; Conflict Counsel		
Michael Hanifan	Prosecutor		
Lynne Schweighardt	Tax Assessor	*	*
Melissa Wiedbrauk	Director of Community Affairs	*	*

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

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2015
CURRENT FUND

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2014	A	\$ 5,651,242.85
Increased by Receipts:		
Tax Collector	\$ 67,802,347.11	
Change Fund	50.00	
Revenue Accounts Receivable	5,460,270.55	
Due to State of N.J.:		
Veterans and Senior Citizens' Deductions	185,915.76	
Marriage License	2,725.00	
Nonbudget Revenue	358,448.61	
2014 Appropriation Refunds	846,236.44	
Special Emergency Notes	360,000.00	
Due to Federal and State Grant Fund:		
Federal and State Grants Receivable	427,470.47	
Unappropriated Grant Reserves	45,000.00	
Receivable due from:		
Vernon Township MUA	100,000.00	
Ameripay	30,226.87	
PVL Drainage Improvments	6,082.03	
Due to Lienholders	74,347.60	
	<hr/>	75,699,120.44
		<hr/> 81,350,363.29

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF CASH - TREASURER

Ref.

Decreased by Disbursements:		
2015 Appropriation Expenditures	\$ 21,279,687.71	
2014 Appropriation Reserves	676,429.48	
Special Emergency Notes	600,000.00	
Due to State of NJ:		
Marriage License	3,075.00	
Due from Federal and State Grant Fund:		
Appropriated Grant Reserves	420,153.19	
Prior Year Encumbrances	246,276.35	
Due to Other Trust Funds:		
Settlement of Prior Year Interfund:		
Unemployment Trust	9,855.13	
Pleasant Valley Lake Trust Fund	49,328.82	
Developers Bond	483.99	
Local School District Taxes	41,137,258.00	
County Taxes	12,580,138.20	
Accrued Payroll	4,838.56	
Refund of Tax Overpayments	14,406.89	
Refund of Prior Year Taxes	3,082.87	
Payments on Behalf of:		
Lake Community Property Owners Association	6,000.00	
Reserve for:		
Codification of Ordinances	3,072.60	
Prior Year Encumbrances Liquidated:		
Tax Overpayments	3,218.40	
Reserve for:		
Tax Maps	93,574.00	
		<u>\$ 77,130,879.19</u>
Balance December 31, 2015	A	<u>\$ 4,219,484.10</u>

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2015

Increased by Receipts:

Taxes Receivable	\$ 67,126,715.27	
Tax Title Liens Redemption	34,711.52	
2016 Prepaid Taxes	330,524.66	
Interest and Costs on Taxes	278,470.22	
Miscellaneous Revenue Not Anticipated	3,216.00	
Tax Overpayments	28,709.44	
	<hr/>	<u>\$ 67,802,347.11</u>

Decreased by:

Payments to Treasurer		<u><u>\$ 67,802,347.11</u></u>
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TOWNSHIP OF VERNON
FEDERAL AND STATE GRANT FUND
SCHEDULE OF CASH
YEAR ENDED DECEMBER 31, 2015

NOT APPLICABLE

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

Year	Balance Dec. 31, 2014	2015 Levy	Collections		Overpayments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2015
			2014	2015					
2013	\$ 1,107.85			\$ 1,107.85					
2014	1,669,911.31			1,502,754.46	\$ 500.00	\$ (750.00)	\$ 17,494.89	\$ 128,717.14	\$ 21,194.82
	1,671,019.16			1,503,862.31	500.00	(750.00)	17,494.89	128,717.14	21,194.82
2015		\$ 69,024,376.01	\$ 471,463.81	65,622,852.96	67,330.00	185,128.07	286,953.34	578,566.58	1,812,081.25
	<u>\$ 1,671,019.16</u>	<u>\$ 69,024,376.01</u>	<u>\$ 471,463.81</u>	<u>\$ 67,126,715.27</u>	<u>\$ 67,830.00</u>	<u>\$ 184,378.07</u>	<u>\$ 304,448.23</u>	<u>\$ 707,283.72</u>	<u>\$ 1,833,276.07</u>
Ref.	A								A

Analysis of 2015 Property Tax Levy:

Tax Yield:

General Purpose Tax	\$ 68,966,019.91
Added Taxes (54:4-63.1 et seq.)	58,356.10

\$ 69,024,376.01

Tax Levy:

Local School District Taxes	\$ 41,137,258.00
County Taxes:	
General Taxes	\$ 12,566,247.25
Due County for Added and Omitted Taxes	10,731.21
	12,576,978.46
Local Tax for Municipal Purposes	15,244,835.00
Additional Taxes Levied	65,304.55
	15,310,139.55
	<u>\$ 69,024,376.01</u>

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2014	A	\$ 4,035,425.90
Increased by:		
Transfer from Taxes Receivable	\$ 707,283.72	
Interest and Costs on Tax Sale	34,478.15	
		<u>741,761.87</u>
		4,777,187.77
Decreased by:		
Tax Title Lien Redeemed	34,711.52	
Cancelled - Foreclosure	481,647.98	
		<u>516,359.50</u>
Balance December 31, 2015	A	<u><u>\$ 4,260,828.27</u></u>

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2015

	Accrued In 2015	Collected by Treasurer
Alcoholic Beverages Licenses	\$ 11,026.78	\$ 11,026.78
Fees and Permits	167,819.12	167,819.12
Municipal Court:		
Fines and Costs	160,284.51	160,284.51
Recycling Receipts	65,349.95	65,349.95
Energy Receipts Taxes	1,862,248.00	1,862,248.00
Garden State Trust	105,963.00	105,963.00
Watershed Moratorium Aid	294,455.00	294,455.00
Uniform Construction Code Fees	490,075.00	490,075.00
Interlocal Service Agreement - 911 Communications:		
Township of Wantage	55,000.00	55,000.00
Borough of Sussex	16,053.00	16,053.00
Interlocal Service Agreement - Animal Control:		
Borough of Sussex	11,638.00	11,638.00
Interlocal Service Agreement - Financial Services:		
Vernon Township MUA	30,000.00	30,000.00
Interlocal Service Agreement - DPW		
Vernon Township MUA	98,219.61	98,219.61
Interlocal Service Agreement - Administrative:		
Vernon Township MUA	48,000.00	48,000.00
Interlocal Service Agreement - Senior Citizens:		
County of Sussex	17,024.94	17,024.94
Uniform Fire Safety Act	27,005.27	27,005.27
General Capital Surplus	91,855.00	91,855.00
Lot Development Plan	5,550.00	5,550.00
Hotel Occupancy Fee	245,751.38	245,751.38
Interest on Investments	22,295.87	22,295.87
Interest on Pleasant Valley Lake Dam Loan	10,184.00	10,184.00
Payment of Debt Service from Developer	142,718.75	142,718.75
SCMUA Bill and Interest to be Repaid by VTMUA	1,481,753.37	1,481,753.37
	<u>\$ 5,460,270.55</u>	<u>\$ 5,460,270.55</u>

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

	Balance Dec. 31, 2014	Budget Revenue Realized	Received	Transferred From Unappropriated Reserves	Cancelled	Balance Dec. 31, 2015
Municipal Alliance on Alcoholism and Drug Abuse:						
2013						
2014	\$ 11,750.00		\$ 10,850.00			\$ 900.00
2015		\$ 20,467.00	8,317.00			12,150.00
Body Armor Replacement Grant:						
Federal - 2009	344.82		344.82			
Federal - 2014	4,092.24		4,092.24			
Federal - 2015		3,557.26	1,263.14			2,294.12
State - 2015		3,110.02	3,110.02			
Drunk Driving Enforcement Fund - 2015		10,014.92	10,014.92			
Clean Communities Grant - 2015		56,165.53	56,165.53			
Safe and Secure Communities Program:						
2013		5,000.00		\$ 5,000.00		
2014		55,000.00	55,000.00			
NJ Division of Highway Traffic Safety:						
2015 Click it or Ticket		4,000.00	3,950.00		\$ 50.00	
Drive Sober or Get Pulled Over:						
2014 Statewide Holiday Crackdown	7,500.00		7,500.00			
2015 Statewide Labor Day Crackdown		5,000.00	5,000.00			
Alcohol Education Rehabilitation		1,414.40	1,414.40			
NJ Highlands Water Protection & Planning Council:						
Highlands Plan Conformance Grant	110,804.75	125,747.15	13,600.90			222,951.00
Highlands TDR Feasibility - 2014	40,000.00		19,947.50			20,052.50
Recreational Opportunities for Individuals with Disabilities Grant		14,400.00	14,400.00			
FEMA - Assistance to Firefighters Grant 2013	65,699.00				65,699.00	
NJ Department of Environmental Protection:						
No Net Loss Grant Reforestation Grant - 2014	354,960.00		72,000.00			282,960.00
Atlantic Health Systems Traffic Safety Mini Grant		500.00	500.00			
Vernon Township- Municipal Utility Authority- Sewer Easement		140,000.00	140,000.00			
	<u>\$ 595,150.81</u>	<u>\$ 444,376.28</u>	<u>\$ 427,470.47</u>	<u>\$ 5,000.00</u>	<u>\$ 65,749.00</u>	<u>\$ 541,307.62</u>

Ref.

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Federal Grants
State Grants
Local Grants

\$ 22,150.20
264,820.27
140,500.00
\$ 427,470.47

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF 2014 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2015

	Balance Dec. 31, 2014	Balance After Modification	Paid or Charged	Balance Lapsed
GENERAL GOVERNMENT:				
Administrative & Executive:				
Salaries and Wages	\$ 4,802.58	\$ 4,802.58		\$ 4,802.58
Other Expenses	14,624.84	14,624.84	\$ 4,885.53	9,739.31
Mayor and Council:				
Salaries and Wages	21,554.38	21,554.38	20,000.00	1,554.38
Other Expenses	4,150.85	4,150.85		4,150.85
Township Clerk:				
Salaries and Wages	4,521.79	4,521.79		4,521.79
Other Expenses	9,563.88	9,563.88	3,325.40	6,238.48
Financial Administration:				
Salaries and Wages	6,076.14	6,076.14		6,076.14
Other Expenses	5,237.79	5,237.79		5,237.79
Annual Audit	32,000.00	32,000.00	32,000.00	
Technology:				
Other Expenses	6,634.16	6,634.16	3,475.05	3,159.11
Revenue Administration:				
Salaries and Wages	7,335.86	7,335.86		7,335.86
Other Expenses	21,619.12	21,619.12	1,512.00	20,107.12
Tax Assessment Administration:				
Salaries and Wages	1,500.98	1,500.98		1,500.98
Other Expenses	39,880.52	39,880.52	3,094.96	36,785.56
Legal Services:				
Other Expenses	45,052.15	45,052.15	18,317.41	26,734.74
Engineering Services:				
Other Expenses	6,644.64	6,644.64	4,221.90	2,422.74
Economic Development:				
Other Expenses	4,229.00	4,229.00	1,100.00	3,129.00
Historic Preservation:				
Other Expenses	1,249.35	1,249.35	45.00	1,204.35
LAND USE ADMINISTRATION:				
Land Use Board:				
Salaries and Wages	4,291.19	4,291.19		4,291.19
Other Expenses	54,430.90	54,430.90	1,277.25	53,153.65
INSURANCE:				
General Liability	10,078.49	10,078.49	2,375.14	7,703.35
Workers Compensation Insurance	5,759.87	5,759.87		5,759.87
Employees Group Insurance (Health)	311,828.03	111,828.03	3,610.83	108,217.20
Health Benefit Waiver	7,996.22	7,996.22		7,996.22
PUBLIC SAFETY FUNCTIONS:				
Police Department:				
Salaries and Wages	24,681.01	24,681.01	20,000.00	4,681.01
Other Expenses	21,512.75	21,512.75	12,643.09	8,869.66

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF 2014 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2015
(Continued)

	Balance Dec. 31, 2014	Balance After Modification	Paid or Charged	Balance Lapsed
PUBLIC SAFETY FUNCTIONS:				
Township Radio and Communications:				
Salaries and Wages	\$ 19,210.04	\$ 19,210.04		\$ 19,210.04
Volunteer Emergency Services:				
Other Expenses	28,177.34	28,177.34	\$ 13,032.27	15,145.07
Uniform Fire Safety Act:				
Salaries and Wages	6,076.50	6,076.50		6,076.50
Other Expenses	9,417.53	9,417.53	578.04	8,839.49
PUBLIC WORKS FUNCTIONS:				
Streets and Roads Maintenance:				
Salaries and Wages	34,849.70	84,849.70	80,000.00	4,849.70
Other Expenses	82,745.45	232,745.45	223,866.21	8,879.24
Recycling				
Salaries and Wages	1,993.30	1,993.30		1,993.30
Other Expenses	1,738.90	1,738.90	47.60	1,691.30
Buildings and Grounds:				
Salaries and Wages	655.86	655.86		655.86
Other Expenses	27,128.38	27,128.38	8,713.11	18,415.27
Fleet Management:				
Salaries and Wages	22,556.95	22,556.95	15,000.00	7,556.95
Other Expenses	35,203.75	35,203.75	17,997.91	17,205.84
Municipal Services Act:				
Other Expenses	150,367.93	150,367.93	150,367.93	
HEALTH AND HUMAN SERVICES FUNCTIONS:				
Environmental Commission:				
Other Expenses	386.90	386.90		386.90
Animal Control Services:				
Salaries and Wages	5,449.34	5,449.34		5,449.34
Other Expenses	4,817.33	4,817.33	3,728.67	1,088.66
PARKS AND RECREATION FUNCTIONS:				
Recreation Services and Programs:				
Salaries and Wages	3,089.78	3,089.78		3,089.78
Other Expenses	5,880.10	5,880.10	1,350.00	4,530.10
Senior Citizens:				
Salaries and Wages	4,906.87	4,906.87		4,906.87
Other Expenses	530.05	530.05	340.25	189.80
Maintenance of Parks:				
Salaries and Wages	5,365.21	5,365.21		5,365.21
Other Expenses	20,622.61	20,622.61	2,619.80	18,002.81
OTHER COMMON OPERATING FUNCTIONS:				
Municipal Court:				
Salaries and Wages	4,960.65	4,960.65		4,960.65
Other Expenses	2,257.30	2,257.30	299.33	1,957.97

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF 2014 APPROPRIATION RESERVES
YEAR ENDED DECEMBER 31, 2015
(Continued)

	Balance Dec. 31, 2014	Balance After Modification	Paid or Charged	Balance Lapsed
Construction Code Official:				
Salaries and Wages	\$ 4,256.77	\$ 4,256.77		\$ 4,256.77
Other Expenses	2,187.86	2,187.86	\$ 1,568.05	619.81
UTILITY EXPENSES AND BULK PURCHASES:				
Utilities	41,950.52	41,950.52	20,547.41	21,403.11
Sussex County Municipal Utilities Authority	4,562.00	4,562.00		4,562.00
STATUTORY EXPENDITURES:				
Social Security System (O.A.S.I)	39,164.87	39,164.87		39,164.87
Defined Contribution Retirement System	1,108.97	1,108.97		1,108.97
Interlocal Municipal Service Agreements:				
911 Communications - Service:				
Other Expenses	2,735.14	2,735.14	2,707.82	27.32
DPW Services				
Salaries and Wages	3,571.97	3,571.97		3,571.97
Capital Lease Payments	1,781.52	1,781.52	1,781.52	
	<u>\$ 1,256,963.88</u>	<u>\$ 1,256,963.88</u>	<u>\$ 676,429.48</u>	<u>\$ 580,534.40</u>
<u>Ref.</u>				
<u>Analysis of Balance on December 31, 2014</u>				
Unencumbered	A	\$ 998,444.63		
Encumbered	A	258,519.25		
		<u>\$ 1,256,963.88</u>		

TOWNSHIP OF VERNON
CURRENT FUND
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE
YEAR ENDED DECEMBER 31, 2015

Increased by:

2015 School Tax Levy

\$ 41,137,258.00

Decreased by:

Payments to Local School District

\$ 41,137,258.00

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

	Balance Dec. 31, 2014	Transferred from Budget Appropriations	Expended	Encumbrances Payable	Prior Year Encumbrances Cancelled	Cancelled	Balance Dec. 31, 2015
Clean Communities Program:							
2012	\$ 1,103.50		\$ 1,603.50		\$ 500.00		
2013	23,856.05		23,856.05				
2014	46,210.09		44,730.54	\$ 652.05			\$ 827.50
2015		\$ 56,165.53	27,155.26				29,010.27
Drunk Driving Enforcement Fund:							
2010							
2011	31.92						31.92
2012	60.50						60.50
2014	7,025.35		7,004.00	615.00	593.65		
2015		10,014.92	559.68				9,455.24
Body Armor Replacement Grant:							
2013 - State	306.17		306.17				-
2014 - State	3,199.24		3,057.63				141.61
2015 - State		3,110.02					3,110.02
2014 - Federal	2,374.59		2,374.59				
2015 - Federal		3,557.26					3,557.26
Recreational Opportunities for Individuals with Disabilities:							
2015 - State		14,400.00	14,400.00				
2015 - Local		3,600.00	3,600.00				
Municipal Alliance on Alcoholism and Drug Abuse:							
2014	5,773.55		4,873.55				900.00
2015		20,467.00	13,786.99				6,680.01
Safe and Secure Communities Grant:							
2013		5,000.00	5,000.00				
2014		55,000.00	55,000.00				
NJ Highlands Water Protection & Planning Council:							
Highlands Plan Conformance Grant	103,593.50	125,747.15	16,200.00				213,140.65
Highlands TDR Feasibility	25,371.25		6,353.75				19,017.50
NJ Division of Highway Traffic Safety:							
2015 Click It or Ticket		4,000.00	3,950.00			\$ 50.00	
Drive Sober or Get Pulled Over:							
2014 Statewide Holiday Crackdown	1,200.00		1,200.00				
2015 Statewide Labor Day Crackdown		5,000.00	5,000.00				

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

	Balance Dec. 31, 2014	Transferred from Budget Appropriations	Expended	Encumbrances Payable	Prior Year Encumbrances Cancelled	Cancelled	Balance Dec. 31, 2015
Alcohol Education and Rehabilitation							
2014	\$ 2,112.09		\$ 2,112.09				
2015		\$ 1,414.40	108.13				\$ 1,306.27
FEMA - Assistance to Firefighters Grant:							
2012 - Federal	65,698.93					\$ 65,698.93	
2012 - Local	7,300.43					7,300.43	
NJ Department of Environmental Protection:							
No Net Loss Grant Reforestation Grant:							
2014	354,960.00		37,921.26	\$ 2,250.00			314,788.74
Vernon Municipal Utility Authority- Sewer Easement		140,000.00	140,000.00				
Atlantic Health Systems- Traffic Safety Mini Grant		500.00					500.00
	<u>\$ 650,177.16</u>	<u>\$ 447,976.28</u>	<u>\$ 420,153.19</u>	<u>\$ 3,517.05</u>	<u>\$ 1,093.65</u>	<u>\$ 73,049.36</u>	<u>\$ 602,527.49</u>
	A						A
Federal/State Grants		\$ 444,376.28					
Local Matching Funds		3,600.00					
		<u>\$ 447,976.28</u>					
Federal Grants			\$ 12,524.59				
State Grants			264,028.60	\$ 3,517.05	\$ 1,093.65		
Local Grants			143,600.00				
			<u>\$ 420,153.19</u>	<u>\$ 3,517.05</u>	<u>\$ 1,093.65</u>		

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

	Balance Dec. 31, 2014	Grant Funds Received	Transferred 2015 Budget Revenue	Balance Dec. 31, 2015
Safe and Secure Communities Program:				
2013	\$ 5,000.00		\$ 5,000.00	
2014		\$ 5,000.00		\$ 5,000.00
2015		40,000.00		40,000.00
	<u>\$ 5,000.00</u>	<u>\$ 45,000.00</u>	<u>\$ 5,000.00</u>	<u>\$ 45,000.00</u>
<u>Ref.</u>	A			A
Federal Grants		\$ -0-		
State Grants		<u>45,000.00</u>		
		<u>\$ 45,000.00</u>		

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2015
TRUST FUNDS

TOWNSHIP OF VERNON
TRUST FUNDS
SCHEDULE OF CASH

	Ref.	Assessment Trust Fund	Animal Control Fund	Other Trust Funds	Open Space Trust Fund	Pleasant Valley Lake Dam Trust Fund
Balance December 31, 2014 (Restated)	B	\$ 215,073.53	\$ 101,703.00	\$ 2,491,387.78	\$ 1,003,894.38	\$ 456,064.40
Increased by Receipts:						
Road Assessment Receivable		\$ 9,780.50				
Pleasant Valley Lake Dam Lien Receivable						\$ 14,308.00
Pleasant Valley Lake Dam Receivable						64,431.80
Animal Control Collector			\$ 77,500.20			
Shelter Fees			6,391.00			
Due to State of New Jersey:						
Building Surcharge				\$ 19,784.00		
Due from/to Current Fund:						
Settlement of Prior Year Interfund				10,339.12		49,328.82
Pleasant Valley Lake Dam Receivable Interest						50.04
Due from Pleasant Valley Lake Dam Trust Fund:						
Settlement of Prior Year Interfund				2,530.15		
Reserve for:						
Planning and Zoning Board Escrow				107,660.00		
Developer's Escrow Deposits Payable				2,500.00		
Parking Offense Adjudication Act				60.00		
Fire Prevention Penalties				4,092.00		
Public Defender				5,763.00		
Compensated Absenses				135,000.00		
Tax Sale Premium				387,291.12		
Deposit for Redemption				785,661.33		
Recreation				34,605.10		
Police Outside Services				105,553.40		
Snow Removal				150,000.00		
Unemployment				23,833.82		
Senior Citizens Center				6,440.54		
Affordable Housing Irrevocable Trust				4,468.72		
Developer's Bonds				11,815.96		
Pleasant Valley Dam Rehabilitation				14.02		
Barry Lakes Dam				12.56		
Animal Control Donations				5,433.35		
Open Space Trust					\$ 2,485.47	
Net Payroll and Payroll Deductions				5,272,961.77		
		<u>9,780.50</u>	<u>83,891.20</u>	<u>7,075,819.96</u>	<u>2,485.47</u>	<u>128,118.66</u>
		224,854.03	185,594.20	9,567,207.74	1,006,379.85	584,183.06

TOWNSHIP OF VERNON
TRUST FUNDS
SCHEDULE OF CASH
(Continued)

Ref.	Assessment Trust Fund	Animal Control Fund	Other Trust Funds	Open Space Trust Fund	Pleasant Valley Lake Dam Trust Fund
Decreased by Disbursements:					
Assessment Serial Bonds Payable	\$ 32,175.00				
Due to Pleasant Valley Lake Homeowners Association:					
Accrued Interest - Future Years					\$ 10,183.43
NJDEP Loan Payable					131,450.89
Administrative Expenses		\$ 79,235.00			
Due to State of New Jersey:					
Building Surcharge			\$ 29,883.00		
Due to Other Trusts:					
Settlement of Prior Year Interfund					2,530.15
Reserve for:					
Planning and Zoning Board Escrow			81,521.80		
Developer's Escrow Deposits Payable			7,000.00		
Fire Prevention Penalties			1,885.00		
Public Defender			2,250.00		
Tax Sale Premium			412,847.12		
Deposit for Redemption			776,649.62		
Unemployment			29,681.90		
Compensated Absences			159,279.17		
Senior Citizens Center			8,605.11		
Recreation			18,470.94		
Police Outside Services			132,102.35		
Snow Removal			83,420.83		
Animal Control Donations			494.61		
Irrevocable Affordable Housing Trust			5,445.00		
Developer's Bonds			92,726.48		
Open Space Trust				\$ 18,650.00	
Net Payroll and Payroll Deductions			5,274,719.61		
	<u>\$ 32,175.00</u>	<u>\$ 79,235.00</u>	<u>\$ 7,116,982.54</u>	<u>\$ 18,650.00</u>	<u>\$ 144,164.47</u>
Balance December 31, 2015	<u><u>\$ 192,679.03</u></u>	<u><u>\$ 106,359.20</u></u>	<u><u>\$ 2,450,225.20</u></u>	<u><u>\$ 987,729.85</u></u>	<u><u>\$ 440,018.59</u></u>

TOWNSHIP OF VERNON
ANIMAL CONTROL TRUST FUND
SCHEDULE OF ANIMAL CONTROL FUND CASH - COLLECTOR
YEAR ENDED DECEMBER 31, 2015

Increased by Receipts:

Municipal License Fees	\$ 68,010.20	
State License Fees	9,661.80	
Dog License Late Fees	9,370.00	
Kennel License Fees	120.00	
	<hr/>	\$ 87,162.00

Decreased by Disbursements:

Treasurer - Animal Control Fund	77,500.20	
State of New Jersey	9,661.80	
	<hr/>	\$ 87,162.00
		<hr/>

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
ANALYSIS OF CASH

	(Restated) Balance Dec. 31, 2014	Receipts Assessments	Disbursements Assessment Serial Bonds	Balance Dec. 31, 2015
Fund Balance	\$ 9,757.90			\$ 9,757.90
Assessment Serial Bonds:				
<u>Ord #</u>				
03-21 Woodland Hills Drive, Red Oak Court Babtown Road Improvements	192,950.88	\$ 9,042.74	\$ 30,244.50	171,749.12
03-22 Silverdale Lane Road Improvement	12,364.75	737.76	1,930.50	11,172.01
	<u>\$ 215,073.53</u>	<u>\$ 9,780.50</u>	<u>\$ 32,175.00</u>	<u>\$ 192,679.03</u>
Ref.	B			B

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

	<u>Ref.</u>	
Balance December 31, 2014	B	\$ 101,703.00
Increased by:		
Dog Fees Collected Due to Treasurer:		
Dog License Fees		\$ 68,010.20
Late Fees		9,370.00
Shelter Fees		6,391.00
Kennel License Fees		120.00
		<hr/> 83,891.20
		<hr/> 185,594.20
Decreased by:		
Animal Control Expenditures		<hr/> 79,235.00
Balance December 31, 2015	B	<hr/> <hr/> \$ 106,359.20

License Fees Collected

<u>Year</u>	<u>Amount</u>
2013	\$ 53,444.60
2014	52,939.60
	<hr/>
Maximum Allowable Reserve	<hr/> <hr/> \$ 106,384.20

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENTS RECEIVABLE

Improvement Description	Date of Confirmation	(Restated) Balance Dec. 31, 2014	Collections	Balance Dec. 31, 2015	Balance Pledged to	
		Assessment Bonds			Reserve	
Silverdale Lane Road Improvement	10/02/06	\$ 4,426.62	\$ 737.76	\$ 3,688.86	\$ 3,688.84	\$ 0.02
Woodland Hills Drive, Red Oak Court, Babtown Road Improvements	10/02/06	58,333.03	9,042.74	49,290.29	12,290.03	37,000.26
		\$ 62,759.65	\$ 9,780.50	\$ 52,979.15	\$ 15,978.87	\$ 37,000.28
	<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		Interest Rate	Balance Dec. 31, 2014	Matured	Balance Dec. 31, 2015
			Outstanding Date	Dec. 31, 2015 Amount				
General Bonds of 2006	01/01/06	\$ 307,132.90				\$ 31,200.00	\$ 31,200.00	
Refunding Bonds of 2014	10/07/14	199,875.00	01/01/16	\$ 34,125.00	3.00%			
			01/01/17	33,735.00	3.00%			
			01/01/18	33,345.00	3.00%			
			01/01/19	33,150.00	4.00%			
			01/01/20	33,150.00	4.00%			
			01/01/21	31,395.00	4.00%	199,875.00	975.00	\$ 198,900.00
						<u>\$ 231,075.00</u>	<u>\$ 32,175.00</u>	<u>\$ 198,900.00</u>
					<u>Ref.</u>	B		B

TOWNSHIP OF VERNON
ASSESSMENT TRUST FUND
SCHEDULE OF ASSESSMENT LIENS

<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>(Restated) Balance Dec. 31, 2014</u>	<u>Balance Dec. 31, 2015</u>	<u>Balance Pledged to Reserve</u>
Improvement to Various Streets - Lake Wanda	10/01/75	<u>\$ 352.40</u>	<u>\$ 352.40</u>	<u>\$ 352.40</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, 2014	B	\$ 56.31
Balance at December 31, 2015	B	<u>\$ 56.31</u>

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

Improvement Description	(Restated) Balance Dec. 31, 2014	Balance Dec. 31, 2015
<u>Assessment Receivable:</u>		
Silverdale Lane Road Improvement	\$ 0.02	\$ 0.02
Woodland Hills Drive, Red Oak Court, Babtown Road Improvements	37,000.26	37,000.26
	<u>37,000.28</u>	<u>37,000.28</u>
<u>Assessment Liens:</u>		
Improvement to Various Streets - Lake Wanda	<u>352.40</u>	<u>352.40</u>
	<u>\$ 37,352.68</u>	<u>\$ 37,352.68</u>
Ref.	B	B

TOWNSHIP OF VERNON
COUNTY OF SUSSEX
2015
GENERAL CAPITAL FUND

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

	<u>Ref.</u>	
Balance December 31, 2014	C	\$ 2,332,567.16
Increased by:		
2015 Budget Appropriation:		
Capital Improvement Fund	\$ 190,000.00	
Bond Sinking Fund	150,000.00	
Deferred Charges to Future Taxation - Unfunded:		
Ord. #05-09	503.00	
Ord. #06-06	395.00	
Capital Fund Balance:		
Premium on Bond Anticipation Notes	91,724.59	
Bond Anticipation Notes Issued	11,296,166.00	
Grant Receivable:		
NJ Department of Transportation:		
Lake Wallkill Road	170,292.75	
Breakneck Road	50,000.00	
	<hr/>	11,949,081.34
		<hr/> 14,281,648.50
Decreased by:		
Due to Current Fund:		
2015 Anticipated Revenue from Fund Balance	91,855.00	
Due from Current Fund:		
Payment on Behalf of Current Fund	42,261.54	
Bond Anticipation Notes Redeemed	9,579,541.00	
Improvement Authorization Expenditures	2,373,705.15	
Prior Year Encumbrances	444,734.32	
	<hr/>	12,532,097.01
		<hr/>
Balance December 31, 2015	C	<u><u>\$ 1,749,551.49</u></u>

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

	Balance (Deficit) Dec. 31, 2014	Receipts			Disbursements			Transfers		Balance (Deficit) Dec. 31, 2015
		Miscellaneous	Bond	Budget Appropriation	Miscellaneous	Bond	Improvement Authorization Expenditures	From	To	
			Anticipation			Anticipation				
			Notes			Notes				
Fund Balance	\$ 131,697.41	\$ 91,724.59			\$ 91,855.00			\$ 80,000.00	\$ 504,324.44	\$ 555,891.44
Due from Current Fund					42,261.54					(42,261.54)
State and Federal Grants Receivable	(50,000.00)	220,292.75						227,057.00		(56,764.25)
Capital Improvement Fund	42,644.36			\$ 190,000.00				194,875.00	4,523.02	42,292.38
Bond Sinking Fund	300,000.00			150,000.00				450,000.00		
Encumbrances Payable	486,345.77				444,734.32			41,611.45	661,331.17	661,331.17
Reserve for Payment of Debt Service	412.66									412.66
Reserve for Capital Projects	407.50									407.50
Ord. No.	Improvement Description									
05-09	Improvements to Town Center	(503.00)			503.00					
06-06	Provision of Affordable Housing	(395.00)			395.00					
11-07	Various Capital Improvements	36,692.63	\$ 1,324,187.00			\$ 1,324,187.00	\$ 252.00	36,440.63		
11-08	Various Emergency Services Purposes	13,701.58	1,134,900.00			1,134,900.00		13,701.58	2,300.00	2,300.00
11-22	Acquisition of Sanitary Sewerage Collection and Transmission Facilities		3,760,784.00			3,760,784.00				
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	1,743,670.00			1,293,670.00	450,000.00			133,000.00
12-08	Various Capital Improvements	2,736.10						2,736.10		
12-15	Canistear Road and Various Road Improvements and Various Capital Acquisitions	3,232.49						3,232.49		
13-01	Various Capital Improvements	801.72						801.72		
13-02	Purchase of Flail Mower	862.53						862.53		
13-09	Various Capital Improvements	644.41						644.41		
13-15	Purchase of Various Equipment	8,412.50					6,957.50			1,455.00
13-17	Purchase of Various Equipment	428.00						428.00		
14-05	Various Equipment & Repairs	31,497.51					27,510.85			3,986.66
14-07	Various Equipment & Improvements	49,889.18					33,870.88		2,100.00	18,118.30
14-12; 15-17	Various Improvements and Purchases	1,140,057.81	2,066,000.00			2,066,000.00	823,969.02	41,175.20	37,211.45	312,125.04
14-15	Acquisition of Real Property	1.00					1.00			
15-13	Various Equipments & Improvements						44,238.03	25,513.00	80,000.00	10,248.97
15-16	Various Equipments & Improvements		1,266,625.00				834,850.92	594,512.97	267,932.00	105,193.11
15-18	Various Equipments & Improvements						152,054.95	130.00	154,000.00	1,815.05
	\$ 2,332,567.16	\$ 312,017.34	\$ 11,296,166.00	\$ 340,898.00	\$ 578,850.86	\$ 9,579,541.00	\$ 2,373,705.15	\$ 1,713,722.08	\$ 1,713,722.08	\$ 1,749,551.49

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

						Analysis of Balance December 31, 2015		
Ord.		Balance	2015	Paid by	Balance	Bond		Unexpended
No.	Improvement Description	Dec. 31, 2014	Authorizations	Budget	Dec. 31, 2015	Anticipation	Expenditures	Improvement
				Appropriation		Notes		Authorizations
<u>General Improvements:</u>								
05-09	Improvements to Town Center	\$ 503.00		\$ 503.00				
06-06	Provision of Affordable Housing	395.00		395.00				
11-07	Various Capital Improvements	1,425,594.00		101,407.00	\$ 1,324,187.00	\$ 1,324,187.00		
11-08	Various Emergency Services Purposes	1,251,450.00		116,550.00	1,134,900.00	1,134,900.00		
11-22	Acquisition of Sanitary Sewerage Collection and Transmission Facilities	3,809,000.00		48,216.00	3,760,784.00	3,760,784.00		
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		6,330.00	2,659,670.00	1,743,670.00		\$ 916,000.00
14-12; 15-17	Various Improvements and Purchases	2,066,000.00			2,066,000.00	2,066,000.00		
15-16	Various Improvements and Purchases		\$ 1,266,625.00		1,266,625.00	1,266,625.00		
		\$ 11,218,942.00	\$ 1,266,625.00	\$ 273,401.00	\$ 12,212,166.00	\$ 11,296,166.00	\$ -0-	\$ 916,000.00

Ref.

C

C

Analysis of Unexpended Improvement Authorizations:

Improvement Authorizations - Unfunded

\$ 1,468,618.15

Less: Unexpended Proceeds of Bond Anticipation Notes Issued:

Ord. #11-08	\$ 2,300.00
Ord. #11-23	133,000.00
Ord. #14-12; 15-17	312,125.04
Ord. #15-16	105,193.11

552,618.15

\$ 916,000.00

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

2015															
Ord. No.	Improvement Description	Ordinance		December 31, 2014		Authorizations				Paid or Charged	Prior Year Encumbrances Canceled	Improvement Authorizations Canceled	December 31, 2015		
		Date	Amount	Funded	Unfunded	Deferred Charges to Future Taxation - Unfunded	Grant Receivable	Capital Fund Balance	Capital Improvement Fund				Funded	Unfunded	
General Improvements:															
11-07	Various Capital Improvements	03/28/11	\$ 1,650,000.00		\$ 36,692.63					\$ 252.00		\$ 36,440.63			
11-08	Various Emergency Services Purposes	04/28/11	1,484,000.00		13,701.58						\$ 2,300.00	13,701.58		\$ 2,300.00	
11-23	Restructuring of a Portion of the Cost of Acquisition of Capacity at the Sanitary Sewage Treatment Plant of the Sussex County Municipal Utilities Authority	11/18/11	2,800,000.00		1,499,000.00					450,000.00				1,049,000.00	
12-08	Various Capital Improvements	05/14/12	510,000.00	\$ 2,736.10								2,736.10			
12-15	Canistear Road and Various Road Improvements and Various Capital Acquisitions	09/10/12	320,000.00	3,232.49								3,232.49			
13-01	Various Capital Improvements	02/25/13	100,000.00	801.72								801.72			
13-02	Purchase of Flail Mower	02/25/13	35,000.00	862.53								862.53			
13-09	Various Capital Improvements	05/30/13	215,000.00	644.41								644.41			
13-15	Purchase of Various Equipment	09/09/13	215,000.00	8,412.50						6,957.50			\$ 1,455.00		
13-17	Purchase of Various Equipment	10/17/13	295,000.00	428.00								428.00			
14-05	Various Capital Improvements	04/28/14	112,000.00	31,497.51						27,510.85			3,986.66		
14-07	Various Equipment & Improvements	06/09/14	240,000.00	49,889.18						33,870.88	2,100.00		18,118.30		
14-12; 15-17	Various Improvements & Purchases	06/23/14	2,350,000.00		1,140,057.81					865,144.22	37,211.45			312,125.04	
14-15	Acquisition of Property	08/11/14	1.00	1.00						1.00					
15-13	Various Equipments & Improvements	05/11/15	80,000.00					\$ 80,000.00		69,751.03			10,248.97		
15-16	Various Equipments & Improvements	05/28/15	1,534,557.00			\$ 1,266,625.00	\$ 227,057.00		\$ 40,875.00	1,429,363.89				105,193.11	
15-18	Various Equipments & Improvements	05/28/15	154,000.00						154,000.00	152,184.95			1,815.05		
				<u>\$ 98,505.44</u>	<u>\$ 2,689,452.02</u>	<u>\$ 1,266,625.00</u>	<u>\$ 227,057.00</u>	<u>\$ 80,000.00</u>	<u>\$ 194,875.00</u>	<u>\$ 3,035,036.32</u>	<u>\$ 41,611.45</u>	<u>\$ 58,847.46</u>	<u>\$ 35,623.98</u>	<u>\$ 1,468,618.15</u>	
Ref.				C	C								C	C	
										Cash Disbursed	\$ 2,373,705.15				
										Encumbrances	661,331.17				
											<u>\$ 3,035,036.32</u>				
												Capital Fund Balance	\$ 54,324.44		
												Capital Improvement Fund	4,523.02		
													<u>\$ 58,847.46</u>		

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2014	C	\$ 42,644.36
Increased by:		
Budget Appropriation		\$ 190,000.00
Cancellation of Improvement Authorization Balances		<u>4,523.02</u>
		<u>194,523.02</u>
		237,167.38
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>194,875.00</u>
Balance December 31, 2015	C	<u><u>\$ 42,292.38</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, 2014	Issued	Matured	Balance Dec. 31, 2015
			Issue	Maturity					
11-07	Various Capital Improvements	05/24/11	03/27/14 03/26/15	03/27/15 03/25/16	1.00% 1.50%	\$ 1,425,594.00	\$ 1,324,187.00	\$ 1,425,594.00	\$ 1,324,187.00
11-08	Various Emergency Services Purposes	05/24/11	03/27/14 03/26/15	03/27/15 03/25/16	1.00% 1.50%	1,251,450.00	1,134,900.00	1,251,450.00	1,134,900.00
11-22	Acquisition of Sanitary Sewerage Collection and Transmission Facilities	03/29/12	03/27/14 03/26/15	03/27/15 03/25/16	1.00% 1.50%	3,809,000.00	3,760,784.00	3,809,000.00	3,760,784.00
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	10/30/14 10/29/15 10/29/15	10/30/15 10/28/16 10/28/16	0.9499% 0.75% 0.75%	1,300,000.00	1,293,670.00 450,000.00	1,300,000.00	1,293,670.00 450,000.00
14-12; 15-17	Various Capital Improvements	08/07/14	08/07/14 03/26/15	03/27/15 03/25/16	1.00% 1.50%	2,066,000.00	2,066,000.00	2,066,000.00	2,066,000.00
15-16	Various Capital Improvements	09/17/15	09/17/15	09/16/16	0.60%		1,266,625.00		1,266,625.00
						<u>\$ 9,852,044.00</u>	<u>\$ 11,296,166.00</u>	<u>\$ 9,852,044.00</u>	<u>\$ 11,296,166.00</u>
						Ref. C		C	
						New Issues	\$ 1,716,625.00		
						Renewals	9,579,541.00	\$ 9,579,541.00	
						Paid by Budget Appropriation		272,503.00	
							<u>\$ 11,296,166.00</u>	<u>\$ 9,852,044.00</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, 2014	Matured	Balance Dec. 31, 2015
			Date	Amount				
General Bonds of 2006	01/01/06	\$ 7,548,867.10				\$ 768,800.00	\$ 768,800.00	
General Bonds of 2011	01/06/11	13,395,000.00	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%	11,480,000.00	720,000.00	\$ 10,760,000.00
Improvement to Sanitary Sewerage System	01/01/08	2,850,000.00	01/01/16	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%	2,700,000.00	25,000.00	2,675,000.00
Refunding Bonds of 2014	10/07/14	5,125,000.00	01/01/16	840,875.00	3.000%			
			01/01/17	831,265.00	3.000%			
			01/01/18	821,655.00	3.000%			
			1/1/19-20	816,850.00	4.000%			
			01/01/21	773,605.00	4.000%	4,925,125.00	24,025.00	4,901,100.00
						\$ 19,873,925.00	\$ 1,537,825.00	\$ 18,336,100.00
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, 2014	2015 Authorizations	Paid by Budget Appropriation	Bond Anticipation Notes Matured	Bond Anticipation Notes Issued	Balance Dec. 31, 2015
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			101,407.00	\$ 1,425,594.00	\$ 1,324,187.00	
11-08	Various Emergency Services Purposes			116,550.00	1,251,450.00	1,134,900.00	
11-22	Acquisition of Sanitary Sewerage Collection and Transmission Facilities			48,216.00	3,809,000.00	3,760,784.00	
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	1,366,000.00		6,330.00	1,300,000.00	1,743,670.00	\$ 916,000.00
14-12; 15-17	Various Capital Improvements				2,066,000.00	2,066,000.00	
15-16	Various Capital Improvements		\$ 1,266,625.00			1,266,625.00	
		<u>\$ 1,366,898.00</u>	<u>\$ 1,266,625.00</u>	<u>\$ 273,401.00</u>	<u>\$ 9,852,044.00</u>	<u>\$ 11,296,166.00</u>	<u>\$ 916,000.00</u>

TOWNSHIP OF VERNON

PART II – SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2015

TOWNSHIP OF VERNON
SCHEDULE OF OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015

Name of Federal Agency or Department	C.F.D.A. Account No.	Name of Program	State Account No.	Grant Award Amount	Grant Period		Current Year Receipts	Current Year Expenditures	Cumulative Expenditures	Provided to Subrecipients
					From	To				
<u>U.S. Department of Justice</u>										
(Passed thru N.J. Department of Law and Public Safety)	16.607	Bulletproof Vest Partnership Grant:								
		2009	N/A	\$ 689.44	01/01/09	12/31/11	\$ 344.82		\$ 689.44	
		2014	N/A	4,092.24	01/01/14	12/31/15	4,092.24	\$ 2,374.59	4,092.24	
		2015	N/A	3,557.26	01/01/15	12/31/16	1,263.14			
Total Department of Justice				8,338.94			5,700.20	2,374.59	4,781.68	
<u>U.S. Department of Transportation</u>										
(Passed thru N.J. Department of Transportation)	20.616	Drive Sober or Get Pulled Over:								
		2014 Statewide Holiday Crackdown	066-1160-100-	7,500.00	1/1/2014	12/31/15	7,500.00	1,200.00	7,500.00	
		2015 Statewide Labot Day Crackdown	157-031020	5,000.00	1/1/2015	12/31/15	5,000.00	5,000.00	5,000.00	
				12,500.00			12,500.00	6,200.00	12,500.00	
	20.616	Click It or Ticket	066-1160-100- 155-031000	4,000.00	1/1/2015	12/31/15	3,950.00	3,950.00	3,950.00	
	20.205	Transportation Trust Fund Authority Act:	078-6320-480-							
		2014 Municipal Aid - Breakneck Road	ALW-609164	200,000.00	01/01/14	12/31/15	50,000.00	50,000.00	200,000.00	
		2015 Municipal Aid - Lake Walkill Road	AL5-609165	227,057.00	01/01/15	12/31/16	170,292.75	170,292.75	170,292.75	
				427,057.00			220,292.75	220,292.75	370,292.75	
Total U.S. Department of Transportation				443,557.00			236,742.75	230,442.75	386,742.75	
<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 Tropical Storm Lee	066-1200-100- A73-68260	4,265.86	01/01/12	12/31/12	4,265.86	4,265.86 *	4,265.86 *	
Total U.S. Department of Homeland Security				4,265.86			4,265.86	4,265.86	4,265.86	
Total Federal Awards				\$ 456,161.80			\$ 246,708.81	\$ 237,083.20	\$ 395,790.29	\$ -0-

N/A - Not Available

* Funds Expended in 2011.

TOWNSHIP OF VERNON
SCHEDULE OF OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2015

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	066-1020-100- 232-090940	\$ 60,000.00	01/01/13	12/31/15		\$ 5,000.00	\$ 60,000.00	
			60,000.00	01/01/14	12/31/16	\$ 60,000.00	55,000.00	55,000.00	
			60,000.00	01/01/15	12/31/16	40,000.00			
			180,000.00			100,000.00	60,000.00	115,000.00	
	Body Armor Replacement Grant	066-1020-718- 001-090160	3,810.22	01/01/13	12/31/15		306.17	3,810.22	
			3,199.24	01/01/14	12/31/16		3,057.63	3,057.63	
			3,110.02	01/01/15	12/31/16	3,110.02			
			10,119.48			3,110.02	3,363.80	6,867.85	
	Drunk Driving Enforcement Fund	100-078-6400-YYYY	10,982.91	01/01/14	12/31/15		7,619.00	10,982.91	
			10,014.92	01/01/15	12/31/16	10,014.92	559.68	559.68	
			20,997.83			10,014.92	8,178.68	11,542.59	
	Total Department of Law and Public Safety			211,117.31			113,124.94	71,542.48	133,410.44
	<u>Department of Environmental Protection</u>	Clean Communities Grant	042-4900-765- 004-178910	41,968.43	01/01/12	12/31/15		1,603.50	41,968.43
				49,148.50	01/01/13	12/31/15		23,856.05	49,148.50
				46,210.09	01/01/14	12/31/16		45,382.59	45,382.59
56,165.53				01/01/15	12/31/16	56,165.53	27,155.26	27,155.26	
193,492.55						56,165.53	97,997.40	163,654.78	
(Passed through NJ State Forestry Services)		No Net Loss Reforestation Grant	042-4815-531- 275-VVVV-6120	354,960.00	01/31/14	07/31/18	72,000.00	40,171.26	40,171.26
				548,452.55			128,165.53	138,168.66	203,826.04
				Total Department of Environmental Protection					
<u>Department of Community Affairs</u>		Recreation Opportunities for Ind. With Disabilities	022-8050-100- 035-051570	14,400.00	01/01/15	12/31/15	14,400.00	14,400.00	14,400.00
				14,400.00			14,400.00	14,400.00	14,400.00
				Total Department of Community Affairs			14,400.00		

TOWNSHIP OF VERNON
SCHEDULE OF OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2015

Name of State Agency or Department	Name of Program	Grant I.D. No.	Grant Award Amount	Grant Period		Current Year Receipts	Current Year Expenditures	Cumulative Expenditures
				From	To			
<u>Department of Treasury</u>								
(Passed through the County of Sussex)	Governor's Council on Alcoholism and Drug Abuse - Municipal Alliance	205-3063-402-0435	\$ 20,467.00	07/01/14	06/30/15	\$ 10,850.00	\$ 4,873.55	\$ 19,567.00
			20,467.00	07/01/15	06/30/16	8,317.00	13,786.99	13,786.99
Total Department of Treasury			40,934.00			19,167.00	18,660.54	33,353.99
<u>NJ Highlands Council</u>								
	Highlands Plan Conformance Grant	N/A	255,247.15	01/01/12	12/31/16	13,600.90	16,200.00	42,106.50
	Transfer of Development Rights Feasibility Grant	N/A	40,000.00	01/01/14	12/31/16	19,947.50	6,353.75	20,982.50
Total NJ Highlands Council			295,247.15			33,548.40	22,553.75	63,089.00
<u>Department of Health and Senior Services</u>								
	Alcohol Education and Rehabilitation Program	098-9735-760- 001-060000	2,185.96	01/01/14	12/31/15		2,112.09	2,185.96
			1,414.40	01/01/15	12/31/16	1,414.40	108.13	108.13
Total Department of Health and Senior Services			3,600.36			1,414.40	2,220.22	2,294.09
Total State Awards			\$ 1,113,751.37			\$ 309,820.27	\$ 267,545.65	\$ 450,373.56

N/A - Not Available

TOWNSHIP OF VERNON
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2015

A. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") includes the federal and state grant activity of the Township under programs of the federal and state governments for the year ended December 31, 2015. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Township, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Township.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Township has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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.



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

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, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated May 6, 2016. 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 2015-01, 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*.

The Township's Response to the Finding

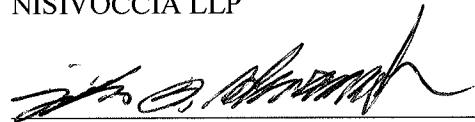
The Township's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
May 6, 2016

NISIVOCCIA LLP



William F. Schroeder
Registered Municipal Accountant No. 452
Certified Public Accountant

TOWNSHIP OF VERNON
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2015

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 the Uniform Guidance and New Jersey's OMB Circular 15-08 for the year ended December 31, 2015 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

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 2015-1

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, 2015

The prior year finding 2014-1 regarding the segregation of duties has not been resolved and is included in the current year audit report as finding 2015-1.

TOWNSHIP OF VERNON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2015

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. Effective July 1, 2015 and thereafter, the bid threshold in accordance with N.J.S.A. 40A:11-3 has been increased to \$40,000 for a contracting unit with a qualified purchasing agent.

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".

TOWNSHIP OF VERNON
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4 (Cont'd)

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.

Collection of Interest on Delinquent Taxes

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

On January 1, 2015, 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 December 8, 2015, 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>
2015	383
2014	478
2013	439

The Township has numerous tax title liens and assessment liens outstanding as of December 31, 2015. 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 34 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 2016 Taxes	20
Payments of 2015 Taxes	20
Delinquent Taxes	20
Tax Title Liens	3
Assessment Liens	3

Municipal Court

A summary of Municipal Court transactions for the year 2015 is as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Balance</u> <u>Dec. 31, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2015</u>
State of New Jersey	\$ 7,599.94	\$ 100,582.63	\$ 101,838.48	\$ 6,344.09
County	2,616.25	54,144.75	53,966.50	2,794.50
Municipality		160,284.51	160,284.51	
Municipality - POAA		60.00	52.00	8.00
Conditional Discharge	260.00	2,493.00	2,623.00	130.00
Public Defender		5,763.00	5,763.00	
Weights and Measures		850.00	850.00	
Fish and Game	120.00	2,500.00	2,570.00	50.00
Forest & Parks	50.00	200.00	250.00	
Restitution	175.00	2,740.19	2,290.19	625.00
	<u>\$ 10,821.19</u>	<u>\$ 329,618.08</u>	<u>\$ 330,487.68</u>	<u>\$ 9,951.59</u>

Management Suggestions

Cyber Security

Cyber-crime has become much more prevalent in the last few years. Websites and internal networks, including personally identifiable information ("PII"), have been hacked and resulted in significant losses to organizations, both financial and reputational. We suggest that the Township consider options to test and protect the Township from cyber-crime.

Deferred Compensation Plans

The Township has a fiduciary responsibility to its employees related to the deferred compensation plans offered by the Town. The Township should consider a periodic review of the benefits, features, costs, and performance of its deferred compensation plans and make that information available to employees to assist employees in making suitable choices for investing their retirement funds while fulfilling the Township's fiduciary responsibilities.

TOWNSHIP OF VERNON
COMMENTS AND RECOMMENDATIONS
(Continued)

Management Suggestions (Cont'd)

Independent Contractors vs. Employees

The Township should consider reviewing the status of "Independent Contractors" utilized by the Township with Internal Revenue Service guidelines for determination of employment status. The IRS has been reviewing employers, including governments, to determine compliance. A proactive approach may help to minimize or eliminate potential penalties related to incorrect employment status determination.

Status of Prior Year Recommendations

The one recommendation from the 2014 audit has not 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.

* * * * *