

NEW ISSUE

Book-Entry - Only

RATING:

See "Credit Rating" herein

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Township, under existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax that may be imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for the purpose of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Township, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act. See "Tax Matters" herein for a description of certain other provisions of the Code that may affect the tax treatment of interest on the Bonds for certain bondholders.

**\$13,395,000 GENERAL BONDS OF 2011
THE TOWNSHIP OF VERNON,
IN THE COUNTY OF SUSSEX, NEW JERSEY**

Dated: Date of Delivery

Due: January 1, as shown below

The \$13,395,000 General Bonds of 2011 (the "General Bonds") of the Township of Vernon, in the County of Sussex, New Jersey (the "Township"), will be issued in book-entry-only form with no physical distribution of bond certificates. The Bonds will be issued in registered form and bond certificates for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co.

Interest on the Bonds will be payable semiannually on January 1 and July 1 in each year until maturity or earlier redemption, commencing January 1, 2012. Principal or redemption price, if any, of and interest on the Bonds will be paid to DTC by the Township. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of June 15 and December 15 next preceding each such interest payment date (the "Record Dates" for the payment of interest on the Bonds).

The Bonds will be subject to redemption prior to their stated maturities as described herein (see "Description of the Bonds – Prior Redemption" herein).

The Bonds are valid and legally binding obligations of the Township and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable real property within the Township without limitation as to rate or amount.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS OR PRICES

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2012	\$ 595,000			2020	\$ 935,000		
2013	640,000			2021	980,000		
2014	680,000			2022	1,020,000		
2015	720,000			2023	1,065,000		
2016	765,000			2024	1,105,000		
2017	810,000			2025	1,150,000		
2018	850,000			2026	1,190,000		
2019	890,000						

The Bonds are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Hawkins Delafield & Wood LLP, Newark, New Jersey, and certain other conditions described herein. Delivery of the Bonds is anticipated to take place on or about January 6, 2011.

Dated: December __, 2010

This Preliminary Official Statement and the information contained herein are subject to completion and amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall it be any part of the offering in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Preliminary Official Statement is deemed final by the Township within the meaning and for the purpose of Rule 15c2-12 of the Securities and Exchange Commission.

No dealer, broker, salesman or other person has been authorized by the Township of Vernon to give any information or to make any representations, other than those contained in this Preliminary Official Statement, and if any is given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information which is set forth herein has been provided by the Township of Vernon and by other sources, but the information provided by such other sources is not guaranteed as to accuracy or completeness by the Township of Vernon. References in this Preliminary Official Statement to State of New Jersey statutes, laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of or exceptions to statements made herein. Copies of such above-mentioned documents may be inspected at the offices of the Township of Vernon during normal business hours. This Preliminary Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The order and the placement of materials in the Preliminary Official Statement, including the appendices, are not deemed to be a determination of relevance, materiality or importance, and this Preliminary Official Statement, including the appendices, must be considered in its entirety.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Township of Vernon since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE ORIGINAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL, IN THE OPEN MARKET, SUCH STABILIZING, IF COMMENCED, MAYBE DISCONTINUED AT ANY TIME.

THE TOWNSHIP OF VERNON
In the County of Sussex, New Jersey

MAYOR

Sally A. Rinker

TOWNSHIP COMMITTEE

Harry Shortaway

Richard Carson

Valerie Seufert

Brian Lynch

OFFICIALS

Gerard Giaimis, Township Manager

Andrea Bates, Acting Municipal Clerk

William I. Zuckerman, Chief Financial Officer

TOWNSHIP ATTORNEY

Courter, Kobert & Cohen

TOWNSHIP FINANCIAL ADVISOR

Benecke Economics

250 Moonachie Road

Moonachie, New Jersey

TOWNSHIP AUDITOR

Nisivoccia LLP

Mount Arlington, New Jersey

BOND COUNSEL

Hawkins Delafield & Wood LLP

Newark, New Jersey

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OFFICIAL STATEMENT

RELATING TO \$13,395,000 GENERAL BONDS OF 2011 OF THE

TOWNSHIP OF VERNON, IN THE

COUNTY OF SUSSEX, NEW JERSEY

INTRODUCTION

This Preliminary Official Statement, which includes the cover page and the appendices attached hereto, is to supply information to the purchasers of the \$13,395,000 General Bonds of 2011 (the "Bonds") of the Township of Vernon, in the County of Sussex, New Jersey. Summaries and explanations of the statutes and the documents contained herein do not propose to be complete and reference is made to such documents and statutes for full and complete statements of their provisions. Data contained herein has been taken or constructed from records of the State of New Jersey (the "State"), the County of Sussex (the "County"), the Township of Vernon (the "Township"), and other sources considered reliable. **This Preliminary Official Statement should be read in its entirety in order to make an informed investment decision.**

All financial and other information presented herein has been provided by the Township from its records except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the Township. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

DESCRIPTION OF THE BONDS

Term

The Bonds shall be dated and shall bear interest from the date of delivery thereof and will mature in the amounts and on the dates set forth on the cover page of this Official Statement. Interest on the Bonds is payable semi-annually on the dates and at the interest rates set forth on the cover page hereof.

Denominations and Place of Payment

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates. The Bonds will be issued in registered form and bond certificates for each maturity of will be issued to The Depository Trust Company, New York, New York ("DTC"), and registered in the name of its nominee, Cede & Co. (see the subcaption "Book-Entry-Only System" below). Principal of and interest on the Bonds will be paid by the Township, or its designee, in its capacity as paying agent (the "Paying Agent") to the registered owners of the Bonds as of each June 15 and December 15 (whether or not a business day) immediately preceding the respective Interest Payment Dates (the "Record Dates"). So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Paying Agent directly to DTC or its nominee, which will in turn remit such payments to DTC participants, which will in turn remit such payments to the beneficial owners of the Bonds. See the subcaption "Book-Entry-Only System" below. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 each or integral multiples of \$1,000 in excess thereof. Purchasers will not receive certificates representing their beneficial ownership interests in Bonds purchased, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance is expected to be confirmed by an initial transaction statement stating the details of the Bonds purchased. So long as Cede & Co. is the registered owners of the Bonds, as nominee of DTC, references herein (except under the captions "Tax Matters" and "Secondary Market Disclosure") to the

registered owners shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. See the subcaption “Book-Entry-Only System” below.

Prior Redemption

The Bonds maturing prior to January 1, 2022, are not subject to redemption prior to maturity at the option of the Township. The Bonds maturing on or after January 1, 2022, are subject to redemption prior to maturity at the option of the Township upon notice as described below in whole or in part, in any order of maturity and by lot within a maturity if less than all the Bonds of such maturity are to be redeemed, on any date on or after January 1, 2021, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, to the registered owners of the Bonds or portions thereof to be redeemed, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, but such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds. If notice of redemption shall have been given as aforesaid, the Bonds or portions thereof specified in said notice shall become due and payable at the redemption price on the redemption date therein designated and if, on the redemption date, moneys for payment of the redemption price of all the Bonds to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Bonds shall cease to accrue and become payable. Less than all of a bond in a denomination in excess of \$5,000 may be so redeemed, and in such case, upon the surrender of such bond, there shall be issued to the registered owner thereof, without charge therefor, for the unredeemed balance of the principal amount of such bond, Bonds of like series, designation, maturity and interest rate in any of the authorized denominations.

So long as DTC (or any successor thereto) acts as securities depository for the Bonds, notice of redemption shall be sent to such securities depository and shall not be sent to the beneficial owners of the Bonds. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Township determines to redeem a portion of the Bonds of a series prior to maturity, the Bonds to be redeemed shall be selected by the Township; the Bonds to be redeemed having the same maturity shall be selected by DTC in accordance with its regulations.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each year of maturity of the Bonds, each in the aggregate principal amount of Bonds maturing in such year, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and

trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmations from DTC of their purchase, Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with the DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Township as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Township or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and shall be the responsibility of such Participant and not of DTC or its nominee, the Trustee, or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and

disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Township or the Paying Agent. Under such circumstances, in the event that such a successor securities depository is not obtained, Bond Certificates are required to be printed and delivered.

The Township may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Township believes to be reliable, but the Township takes no responsibility for the accuracy thereof.

Security and Source of Payment

The Bonds are a general obligation of the Township, and the Township has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. Unless paid from other sources, the Township is required by law to levy ad valorem taxes upon all the taxable property within the Township for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount. The enforceability of rights and remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies theretofore or hereafter enacted. See "Municipal Bankruptcy" herein.

PROJECTS TO BE FINANCED

Authorization and Purpose of the Bonds

The Bonds have been authorized and are to be issued pursuant to the laws of the State, including the Local Bond Law of New Jersey, N.J.S.A. 40A:2-1 et seq., and various bond ordinances of the Township. The Bonds are being issued to fund certain outstanding capital projects described as follows:

Principal Amount of Bond to be Issued	Bond Ordinance Number	Description of Improvements
\$ 1,956,007.84	04-26	Various Capital Improvements
3,404,271.84	05-09	Improvements to Town Center
1,472,462.77	05-14	Various Capital Improvements
406,473.50	05-31	Acquisition of Land
587,400.12	06-06	Provisions of Affordable Housing
2,424,851.49	06-19	Various Capital Improvements
1,693,607.28	07-24	Improvements to Maple Orange Park
1,449,925.16	07-36	Various Capital Improvements
<u>\$13,395,000.00</u>		

NO DEFAULT

The Township has never defaulted in the payment of any bonds or notes, nor are any payments of principal or interest on the Township's indebtedness past due.

MARKET PROTECTION - BOND AND NOTE FINANCING

Based upon the current financial condition of the Township, it is not expected that tax anticipation notes will be issued during the year. The Township has not issued tax anticipation notes during the last five years. The Township does not expect to issue any additional long-term debt during 2010.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds and notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required to be appropriated for the financing of expenditures for municipal purposes for which bonds are authorized.

The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the nonbudgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a licensed Registered Municipal Accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures and must be filed with the director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion. The chief financial officer of every local unit must file annually with the director, a verified statement of financial condition of the local unit and all constituent boards, agencies or commissions.

The annual audit report is filed with the Township Clerk and is available for review during business hours.

Debt Limits

The authorized bonded indebtedness of a municipality in the State is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its equalized valuation basis. The equalized valuation basis of the municipality is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements and certain class II railroad property within its boundaries as annually determined by the State Board of Taxation.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

On December 31, 2009, the Township's statutory net debt as a percentage of its equalized valuation basis was .79% and such debt was comprised of the following:

	Gross Debt	Deduction	Net Debt
Local School District Debt	\$ 17,567,000	\$ 17,567,000	
General Debt	26,067,076	1,134,332	\$ 24,932,744
Assessment Trust Debt	1,565,241	882,410	682,831
Sewer utility Debt	2,825,000	2,825,000	
	<u>\$ 48,024,317</u>	<u>\$ 22,408,742</u>	<u>\$ 25,615,575</u>

The debt limit of the Township may be exceeded with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs, State of New Jersey, a State regulatory agency (the "Board"). If all or any part of a proposed debt authorization would exceed its debt limit, the Township must apply to the Board for an extension of credit. If the Board determines that a proposed debt authorization would not materially impair the ability of the Township to meet its obligations or to provide essential services, or makes other statutory determinations, approval is granted.

Short-Term Financing

The Township may issue bond anticipation notes to temporarily finance capital improvements. Bond anticipation notes, which are general obligations of the Township, may be issued for a period not exceeding one (1) year and may be renewed from time to time for a period that does not exceed one (1) year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original note, provided, however, that no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which these notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations.

MUNICIPAL BUDGET

Pursuant to the "Local Budget Law" (N.J.S.A. 40A:4-1 et seq.), the Township is required to have a balanced budget in which debt service is included in full for each fiscal year.

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the State local finance system is the annual cash basis budget. The Township must adopt an operating budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Items of revenue and appropriation are regulated by law and must be certified by the Director of the Division (the "Director") prior to final adoption of the budget. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director is required to review the adequacy of such appropriations, among others, for certification.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenue serve to protect the solvency of all local units. Local budgets, by law and regulation, must be in balance on a "cash basis".

The principal sources of Township revenue are real estate taxes, State Aid, and miscellaneous revenue.

Tax anticipation notes, if utilized, are limited in amount by law and must be paid off in full by a municipality within one hundred and twenty (120) days after the close of its fiscal year.

Capital Budget

In accordance with the Local Budget Law, each local governmental unit must adopt an annually revise a six-year capital program budget. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local governmental

unit may contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the items were detailed.

Real Estate Taxes

The general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. 40A:4-29 delineates anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

Section 41 of the Local Budget Law provides, with regard to current taxes, that: "Receipts from the collection of taxes levied or to be levied in the municipality...shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by December 31 of such preceding fiscal year."

This provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

$$\frac{\text{Levy required to balance budget}}{\text{Prior year's percentage of current tax collection (or lesser \%)} } = \text{Total taxes to be levied}$$

Miscellaneous Revenue

Section 26 of the Local Budget Law provides that "no miscellaneous revenue from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof (N.J.S.A. 40A:4-10). The exception to this is the inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year.

Limitations on Municipal Appropriations and Local Unit Tax Levy

Chapter 68 of the Pamphlet Laws of 1976 (N.J.S.A. 40A:4-45.1 et seq.), as amended and supplemented by P.L. 1983, c.49, P.L. 1990, c.89, and by P.L. 2004, c.74 (the "CAP Law"), imposes restrictions which limit the allowable increase in Township appropriations over the previous year's appropriations to the lesser of 2.5% or the increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services as published by the United States Department of Commerce (the "Cost-of-Living Adjustment"). If the Cost-of-Living Adjustment is less than or equal to 2.5% an increase equal to 3.5% will be permitted by adoption of an ordinance. If the Cost-of-Living Adjustment is greater than 2.5%, an increase in any amount above 2.5% will be permitted upon passage of a referendum. This limitation is subject to the following exceptions among others: (i) all debt service payments; (ii) the amount of revenue generated by the increase in valuations within the Township based solely on applying the preceding year's Township tax rate to the apportionment valuation of new construction or improvements within the Township and such increase shall be levied in direct proportion to said valuation; (iii) capital expenditures funded by any source; (iv) an increase involving certain defined categories of emergency appropriations as approved by the Director in certain cases; (v) amounts required to be paid pursuant to any contract between the Township and any political subdivision or public body in connection with the provision and/or financing or projects for certain public purposes such as water, sewer, parking, senior citizens' housing or any similar purpose; or (vi) that portion of the Township tax levy which represents funding

to participate in any Federal or State aid program and amounts received or to be received from Federal, State or other funds in reimbursement for local expenditures.

Chapter 44 of the Pamphlet Laws of 2010 imposes restrictions upon the allowable annual increase in the tax levy. In general, starting with Fiscal 2011 budgets, municipalities will have their tax levies limited to a two percent (2%) increase. The tax levy is subject to certain adjustments, including the sum of new ratables. In addition, the following exclusions are added to the calculation of the adjusted tax levy: increases in amounts required to be raised by taxation for capital expenditures, including debt service as defined by law; increases in pension contributions and accrued liability for pension contributions in excess of 2%; increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The law also authorizes a municipality to submit public questions to the voters for approval (by affirmative vote of at least fifty (50%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met.

Deferral of Current Expenses

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. With minor exceptions, however, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects such as ice and snow removal and repair of flood damage to streets, roads, and bridges, which may be amortized over three years; and tax map preparation, revision of ordinances, and master plan preparations, which may be amortized over five years.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year, and although subaccounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval by the governing body.

FINANCIAL OPERATIONS

Basis of Accounting

The accounting policies of the Township conform to the accounting principals applicable to local governmental units which have been prescribed by the Division. The following is a summary of the significant accounting policies:

Basis of Accounting – A modified accrual basis of accounting is followed, with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from the State. Expenditures are recorded on the accrual basis. Appropriations reserves covering unexpended appropriation balances are automatically created on 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 or entered into during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Interfunds – Interfund receivables in the Current Fund are recorded with offsetting reserves. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Fixed Assets – Property and equipment purchased throughout the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Current Fund

The Township's finances its operations primarily through the Current Fund. All tax receipts and most revenues are paid into the Current Fund and substantially all expenditures made by appropriations are paid from the Current Fund. The Township operates on a January 1 to December 31 fiscal year.

General Expenditures

Expenditures are comprised of those made for general Township purposes, certain expenditures made from restricted Federal, State and private grants, certain Federal or State mandated expenditures, deferred charges, debt service and capital improvements. Budgeted expenditures for general Township purposes include payments made primarily in support of the Township's various departments.

Tax Collection Procedures

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Township, County and Local School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Township. Annually, the properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey statutes.

Tax Appeals

The New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the County Board of Taxation on or before the first day of April of the current tax year for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the State Department of Taxation, Division of Tax Appeal, for a further hearing. State tax appeals tend to take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations or with the permission of the Board may be financed, generally, over a three to seven year period.

Debt Statements

The Township must report all new authorizations of debt or changes in previously authorized debt to the Division. The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31, of each year, the Township must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Township as of the previous December 31.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, *et seq.*, as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, Public Law 100-597, effective November 3, 1988, the Bankruptcy Reform Act of 1994, effective October 22, 1994, and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-160

replace Form Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debt provided such entity is authorized by applicable state law; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

ABSENCES OF MATERIAL LITIGATION

To the knowledge of the Township or the Township Attorney, John E. Ursin of Courter Kobert & Cohen, LLP, there is no litigation pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds now being offered for sale, or the levy or the collection of any taxes to pay the principal of or the interest on said Bonds, or in any manner questioning the authority or the proceedings for the issuance of said Bonds or for the levy or the collection of said taxes, or contesting the corporate existence or the boundaries of the Township or the title of any other present officers. A certificate to such effect will be executed by the Township's Attorney and delivered to the original purchaser of the Bonds at the closing. Moreover, to the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters relating to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel to the Township, whose approving opinion will be delivered with the Bonds substantially in the form as set forth in Appendix C. Certain legal matters will be passed upon for the Township by its Attorney, John E. Ursin of Courter Kobert & Cohen, LLP.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Township, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code: such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Township in connection with the Bonds, and Bond Counsel has assumed compliance by the Township with certain ongoing certifications to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Township, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. By executing its Arbitrage and Use of Proceeds Certificate to be delivered concurrently with the delivery of the Bonds, the Township will certify that, to the extent it is empowered and allowed under applicable law, it will comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

SECONDARY MARKET DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), the Township has undertaken to provide, on or before 240 days after the end of each of its fiscal years while the Bonds are outstanding, for filing with the Municipal Securities Rulemaking Board (the “MSRB”) on an annual basis, financial and operating information of the type hereinafter described and included in this Official Statement, which is referred to herein as “Annual Information”, together with the annual financial statements of the Township prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards and mandated state statutory principles as in effect from time to time for municipalities and counties. In addition, the Township has undertaken, for the benefit of the holders of the Bonds, to provide to the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the specified event, the notices required to be provided by Rule 15c2-12 and described below (the “Notices”).

The Annual Information with respect to the Township means annual information concerning the Township which consists of financial and operating data of the Township of the type included in this Official Statement relating to the following: (i) property tax levies and collections; (ii) assessed value of taxable property; (iii) property tax rates; and (iv) outstanding debt.

The Notices include notices of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls (other than mandatory sinking fund redemptions) if material and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if

material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Township; (13) the consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, it material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the Township will undertake, for the benefit of the holders of the Bonds, to provide to the MSRB, in a timely manner, notice of any failure by the Township to provide the Annual Information and annual financial statements by the date required in the undertaking of the Township described above.

The sole and exclusive remedy for breach or default under the undertaking to provide continuing disclosure described above is an action to compel specific performance of the undertaking of the Township, and no person, including any holder of the Bonds, may recover monetary damages thereunder under any circumstances. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the undertaking, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The undertaking, however, may be amended or modified without consent of the holders of the Bonds under certain circumstances set forth in the undertaking. Copies of the undertaking when executed by the Township upon the delivery of the Bonds will be on file at the office of the Township Clerk.

In the previous five (5) years, the Township has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of Rule 15c2-12.

PREPARATION OF OFFICIAL STATEMENT

Nisivoccia LLP takes responsibility for the financial statements to the extent specified in their Accountant's Report included in Appendix B.

All other information has been obtained from sources which the Township considers to be reliable but it makes no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

Hawkins Delafield & Wood LLP has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

LEGAL MATTERS

The delivery of the Bonds will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Newark, New Jersey. Such opinion will accompany the Bonds and will be to the effect that the Bonds are valid and legally binding obligations of the Township, and the Township has the power and obligation to levy ad valorem taxes upon all taxable property of said Township for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

CREDIT RATING

Moody's Investors Service ("Moody's") has assigned a rating of " " to the Bonds. An explanation of the significance of such credit ratings may be obtained from Moody's. The Township furnished Moody's with certain information and materials concerning the Bonds and the Township. Generally, Moody's bases its ratings on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. The ratings are not a recommendation to buy, sell or hold the Bonds and there can be no assurance that any such ratings will be maintained for any given period of time or that such ratings may not be raised, lowered or withdrawn entirely, if in Moody's judgment,

circumstances so warrant any downward change in or withdrawal of any such ratings may have an adverse effect on the marketability or market price of the Bonds.

CLOSING CERTIFICATES

The purchaser will be furnished, at the time the Bonds are delivered, certificates in form satisfactory to Bond Counsel evidencing (a) the proper execution and delivery of the Bonds, (b) receipt and payment therefor, and (c) the absence of litigation now pending or, to the knowledge of the officers signing the Bonds, threatened to restrain or enjoin the issuance or delivery of the Bonds.

Upon request, the Township will state in a certificate signed on its behalf by its Chief Financial Officer and delivered at the closing, that to such official's knowledge the descriptions and statements in this Official Statement, on the date of this Official Statement, are true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Mr. William I. Zuckerman, Chief Financial Officer, Township of Vernon, 21 Church Street, Vernon, New Jersey, 07462 (973) 764-1922.

MISCELLANEOUS

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilation thereof.

This Official Statement is not to be construed as a contract or agreement between the Township and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs in the Township, the State or any of their agencies or authorities, since the date hereof.

This Official Statement has been duly executed and delivered by the Chief Financial Officer of the Township.

THE TOWNSHIP OF VERNON,
In the County of Sussex, New Jersey

William I. Zuckerman
Chief Financial Officer

APPENDIX A

DESCRIPTION OF
THE TOWNSHIP OF VERNON
TOGETHER WITH CERTAIN ECONOMIC
AND
DEBT INFORMATION

**APPENDIX A
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TOWNSHIP OF VERNON GENERAL INFORMATION

In 1792, the Township was established by an act of the New Jersey Legislature. The Township, 67.90 square miles in area in the northeast corner of Sussex County, is a mountainous area with broad valleys and numerous lakes. The Wawayanda (meaning "winding around") Mountain is in the Wawayanda State Park which forms the Township's eastern border. The Town of Warwick in New York State forms the Township's northern border, and the Walkill River is the western dividing line between the Township and the Township of Wantage. On the Township's southern border is the Township of Hardyston, the Hamburg Mountain Fish and Wildlife Management Area, and the City of Newark's watershed area.

Originally two railroads, the Sussex Railroad and the Warwick Valley Railroad, served the area principally for the rich iron ore deposits in the Wawayanda Mountain. Today, the New York, Susquehanna & Western Railroad has trackage available for freight transportation. State Route 94 and County Routes 515, 517 and 565 are the principal highways serving the Township, all generally in a north to south direction.

Lake Wawayanda, with 5.5 miles of shoreline and 92 feet deep, is situated on Wawayanda Mountain and is a sport fisherman's delight. The Wawayanda State Park encompasses approximately 6,000 acres, or 9.375 square miles, of the Township's land area. Along State Route 94 are situated the principal recreational and resort facilities of Legends at Great Gorge, a recreational and convention hotel in McAfee, the skiing facilities of Vernon Valley and Hidden Valley, Mountain Creek - an all year round recreational facility, and Great Gorge Village. Great Gorge Village includes 1,200 condominiums, a health spa, restaurant, swimming pool and tennis courts. The Mountain View Resorts Stables, which provides horse riding instruction, is opposite Great Gorge Village on State Route 94. Within the Township are several privately operated golf courses.

The Township is primarily a residential community, but includes many small farms. Commercial activity is concentrated towards recreation. There are four mini-malls located in various parts of the Township.

Mountain Creek

Mountain Creek Development Project is located in Vernon Township. Intrawest Corporation is slated to expand upon its existing Mountain Creek Ski Resort and build a self-sustaining Resort Community/Mountain Village which will include the development of 1700 Hotel Style Condominium units, two Conference Centers, and 100,000 s.f. of shops, restaurants, and other recreational amenities. The Vernon Township Planning Board approved the Mountain Creek General Development Plan which is currently being amended. They have commenced construction on the first and second phases of the project.

The project will significantly improve Vernon's commercial recreational opportunities by generating significant tax ratable to the Township and bringing business into the community. When completed, the value of \$625,300,000 would, at the Township's current assessment ratio of 49.55%, represent an assessed value of \$393,500,300. Also, there is a Developer's Agreement in place between Intrawest and Vernon Township which will provide millions of dollars in additional revenues through Traffic Impact, COAH, and other fees and contributions. In addition to the public sector benefits, the development plan would also be expected to result in new construction jobs, payrolls, and material purchases during the construction phase.

Because the Mountain Creek Village is geared toward time sharing and transient uses, as is the case with the proposed Hotel Units, the project will introduce essentially no children into the school district and, therefore, no associated burden upon the budget in the future.

TYPE OF GOVERNMENT

Effective January 1, 1998, the Township government changed from a Township Committee to a Council/Manager form of Government. The Township's Council consists of five members elected to four year terms on a staggered basis. The Mayor is selected from the Council by vote for a two year term. The Council is the legislative and policy making body of the Township. Council members also serve on various Township boards and committees as part of their elected responsibility.

In addition to making legislative and policy decisions, the Council also appoints the Township Manager, who is the Township's chief executive and administrator, and is accountable to the Council for the operations of the Township and may be removed by a majority vote of the Council.

The Township of Vernon is undergoing a change in the form of government.

On November 2, 2010 the Township of Vernon electorate voted to change the form of local government to the Mayor-Council Plan under the New Jersey Optional Municipal Charter Law, providing for five Council members to be elected at large for staggered terms at non-partisan elections held in May, with the Mayor elected directly by the voters. This form of government will replace the Council Manager form of government. The Mayor will be the elected chief executive, replacing the Manager. The Council will continue to have five members and will continue with its legislative and oversight responsibility.

TOWNSHIP SERVICES

Police Department

The Police Department consists of a Chief of Police, one Captain, one Lieutenant, five Sergeants, twenty six Uniformed Officers, seven dispatchers and three clerical.

Fire Department

There are four firehouses in various locations throughout the Township manned by approximately 112 Fire Volunteers.

Ambulance Squads

There are two ambulance squads operated by sixty eight volunteers.

Department of Public Works

The Department of Public Works (the "DPW") is responsible for the maintenance of Township property, buildings, roads, the site for the collection of recyclable materials, and removal of snow. Personnel consist of one Public Works General Supervisor, one Supervisor, one garage services Assistant Supervisor, three Public Works Assistant Supervisors, two clerical and twenty-six other personnel.

Library Facilities

The Dorothy E. Henry Memorial Library, a part of the Sussex County Library System, contains approximately 20,000 volumes, various reference books, audio and video cassettes and records. The library also subscribes to ninety periodicals. There is also a meeting room.

Recreational Facilities

Public recreational facilities include four Township maintained parks: Veterans Memorial Park, Old Orchard, the new Maple Grange Park, and St. Francis Facility. At the Veterans Memorial Park are several baseball diamonds, soccer, football, basketball courts, snack bar facility, walking path and a large playground. Old Orchard has a soccer field. St. Francis has two fields used for soccer and lacrosse. Maple Grange is in the planning stage.

Utilities

Telephone, Electricity, Gas

Telephone service is provided by various vendors. Electricity is provided by First Energy, and Sussex Rural Electric Co-op. Gas is provided by Elizabethtown Gas Co.

Water

Water is obtained from groundwater either through individually operated wells or a number of small privately owned public community water companies which operate wells. United Water is the largest water company; it services 1,200 condo units, and several smaller systems.

Wastewater

Wastewater is disposed of by individually operated sewer septic systems, except for the 1,200 condominiums, other facilities in Great Gorge Village, and Mountain Creek Facilities which are connected to the Sussex County Municipal Utilities Authority's sewer collection system. The school District operates two sewage treatment plants that serve four schools. The Legends Resort Hotel and Golf Course is also served by a sewage treatment plant. All of these sewage treatment plants operate under permits and inspections from the NJ Department of Environmental Protection.

The Township of Vernon, Sewer System Expansion:

The Township of Vernon has endeavored to provide sewer service to the Vernon Town Center so as to encourage development and increase the Township's tax base. The majority of the commercial properties in the Vernon Town Center are in a redevelopment area. In addition, the upper portion of the Mountain Creek ski area is also in the Towns Center and will benefit from the expansion of the sewer system. Mountain Creek has approval for up to 1,400 additional residential units and 100,000 square feet of commercial/conference space. The Township of Vernon has also received a bona-fide proposal for a supermarket development in the Vernon Town Center.

To enable this development, the Township of Vernon entered into two agreements to provide sewer service to the Vernon Town Center (TC). The first is the 2005 Sewer Service Contract between the Sussex County Municipal Utilities Authority (SCMUA) and the Township of Vernon, dated November 2, 2005. The second is a sewer agreement, dated October 24, 2005 between Mountain Creek Resort, Inc and the Township. These agreements are referred to as the SCMUA and Mountain Creek (MC) sewer agreements.

This sewer system expansion provides an additional sewer processing capacity of 265,000 gpd to the Town Center, of which the Township of Vernon is entitled to 99,000 gpd with the remaining 166,000 being allocated to MC, provided that MC constructs a 1,500 lineal foot section of sewer transmission pipe. This portion of the construction is now moving through the permitting process.

The Sussex County Municipal Utilities Authority expanded their sewer plant and provided additional sewer capacity from their treatment plant, with SCMUA paying for the upgrade of their infrastructure and passing the cost to the Township. The Township, in turn, passed 100% of the debt service to MC and their proportional share of the sewer proceeding charges. To off-set the cost of the SCMUA sewer system expansion, the Township of Vernon guarantees the annual revenue (sewer fees) to SCMUA at 265,000 gpd. The Township in turn passes certain costs to MC, pursuant to MC Sewer Agreement. This pass through of costs to Mountain Creek includes 100% of the debt service attributable to the sewer system expansion and included in the annual sewer charge.

SCMUA incurred construction costs and issued bonds to finance the sewer system expansion in the approximate sum of \$9,500,537. SCMUA also issued \$11,482,000 in additional bonds. This totals \$20,982,537 in SCMUA debt that is "guaranteed" by the Township of Vernon. Again, Mountain Creek has guaranteed the annual payment of the annual debt service to the Township.

Separately, the Township of Vernon has entered into an agreement with United Water Company (UW), the owner of the sewer franchise in the Township. UW owns the sewer transmission assets; serving 1,440 existing sewer customers in Vernon. The amicable discussions between the Township of Vernon and United Water are ongoing as to the provision of sewer services.

Solid Waste

The pick-up of solid waste is by hauling firms as determined on an individual basis. The Township does not provide, nor does the Township become involved in the selection of hauling firms for the pickup of solid waste.

EDUCATIONAL FACILITIES

School District

The Vernon Township School District (the "District") was established prior to 1957 and is a Type II school district that is coterminous with the borders of the Township. The Board of Education of the Township of Vernon (the "Board") governs the operations of the District. The District's fiscal year-end is June 30th.

The Board is composed of nine members elected by the legally qualified voters in the District for three-year terms on a staggered basis. The President and Vice-President are chosen for one-year terms from among the members.

The Board is a policy making body and has the general responsibility for providing an education program, the power to establish policies and supervise the public schools in the District, responsibility to draw up the annual budget and present it to the legally registered voters in the District for approval and the power to appoint the Superintendent of Schools (the "Superintendent").

The administrative structure of the Board gives final responsibility for both the educative process and the business operation to the Superintendent. The Superintendent is the chief executive officer of the Board in charge of carrying out Board policies. The Board Secretary is the chief financial officer and must submit monthly financial reports to the Board and annual reports to the State Department of Education. State law requires a Treasurer of School Monies to hold in trust all school monies and to make a monthly report to the Board.

The educational philosophy of the Vernon Township Public Schools is to educate the whole child. The process of educating the whole child includes meeting the needs of the students academically, emotionally, socially and physically.

In an effort to prepare and challenge all students with wide-ranging ability levels, each school offers programs in the area of Gifted and Talented Education (School Wide Enrichment), English as a Second Language (ESL), basic skills instruction and special education. Additional services include a model K-12 student assistance program with counselors at all levels, full-time child study teams and a comprehensive Pre-K-12 summer school offering study for remediation as well as enrichment.

During the past 27 years, the Vernon Township Public Schools have grown significantly, from one school with 332 K-8 students and it's teachers to the largest school system in Sussex County. The kindergarten through 12th grade system now consists of six schools; three primary, two middle and one high school.

Enrollment

Student enrollment trends for the School District are illustrated by the following record of actual enrollments as reported by the School District's administrative officials.

<u>Actual Enrollments (ADE)</u>	
<u>School Year</u>	<u>Total</u>
2010	4232
2009	4461
2008	4657
2007	4929
2006	5201
2005	5242

Other Educational Facilities

The Sussex County Vocational-Technical High School is located in Sparta Township, to the south of the Township.

The Sussex County Community College, a two year institution of higher learning, is situated in the Town of Newton, south and slightly west of the Township.

RETIREMENT SYSTEMS

All full-time or qualified employees of the Township, who are eligible for a pension plan, are enrolled in one of three pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The three State-administered plans are: the Public Employees' Retirement System ("PERS"), Consolidated Police and Firemen's Pension Fund ("CP&F"), and the Police and Firemen's Retirement System ("PFRS"). The Consolidated Police and Firemen's Pension Fund has been replaced by the Police and Firemen's Retirement System for all new and current police personnel.

The Division of Pensions annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial methods. A portion of the costs is contributed by the employees. The Township's share of pension costs is based upon the annual billings received from the State. The Township is not delinquent with respect to its share of payments to the three pension systems or to the Federal Social Security System ("OASI").

Public Employees' Retirement System

The Public Employees' Retirement System includes approximately 106 employees. Employees' rates for contribution are normally determined by the rate applicable at the age of enrollment.

Police and Firemen's Retirement System

Thirty-four policemen are covered under the Police and Firemen's Retirement System.

Retirement Benefit Payments

Historical Summary

System	2009	2008	2007	2006	2005
PERS	\$ 215,258	\$ 285,815	\$ 153,233	\$ 81,337	\$ 27,893
PFRS	357,640	597,736	360,047	235,427	105,429
OASI	569,189	601,243	643,457	611,940	593,966
TOTAL	\$ 1,142,087	\$ 1,484,794	\$ 1,156,737	\$ 928,704	\$ 727,288

Source: The Township's audited financial statements.

COLLECTIVE BARGAINING REPRESENTATION

<u>Bargaining Unit</u>	<u>Represents</u>	<u>Contract Termination Date</u>
PBA Local #285	Policemen	December 31, 2011
UAW Local #2326	Clerical/Dispatchers	December 31, 2010
AFSCME #3181	D.P.W. Personnel	December 31, 2010

Source: The Township.

INSURANCE

Liability insurance is purchased through Bank of America Corporate Inc. Agency, LLC, insurance agents in Cranford, New Jersey.

Insurance coverage consists of the following:

1. Per individual accident or occurrence for automobile, general liability is \$10,000,000 with a \$10,000,000 aggregate amount. The above insurance coverage is provided by Statewide Insurance Fund, Florham Park, New Jersey. Police and Township Officials is \$6,000,000 with a \$6,000,000 aggregate. The Police and Township Officials insurance coverage is provided by United National Insurance Company.
2. Umbrella insurance coverage is obtained through the Allied World Assurance Co., USA, Inc. on a pooled basis. Umbrella coverage is \$5,000,000 with an aggregate amount of \$1 0,000,000.

Source: The Township and the Township's Insurance Agent.

CURRENT FUND REVENUE SOURCES

Year	Budget Requirements	Revenue Surplus Appropriated	Realized Miscellaneous Revenues	Realized Amount To Be Raised By Taxation	Excess/ (Deficit)
2009	22,049,063	415,000	6,401,026	14,826,791	(406,246)
2008	21,185,119	914,488	6,223,232	13,394,881	(652,518)
2007	21,142,365	1,622,000	7,408,290	13,166,206	1,054,192
2006	19,973,351	1,542,000	6,057,790	12,583,390	1,435,376
2005	19,715,004	1,820,000	7,244,963	11,202,012	1,611,447

Source: The Township’s Audited Financial Statements.

CURRENT FUND BALANCE AND AMOUNTS UTILIZED IN SUCCEEDING YEAR’S BUDGET

Year	Balance December 31,	Utilized in Succeeding Year's Budget	
		Amount	Percent
2009	901,498	-0-	-0-
2008	1,316,498	415,000	31.52
2007	2,211,098	914,488	41.36
2006	2,373,340	1,622,000	68.34
2005	2,212,286	1,542,000	69.70

Source: The Township’s Audited Financial Statements.

**TAX INFORMATION
As of December 31 for Years Shown**

Tax Collection Procedure

The Township is the political entity responsible for the levying and collection of taxes on all taxable property within its borders, including the tax levies for the county, school districts, municipality and fire district. The levying of taxes is for a fiscal year which for the school districts starts July 1 and ends June 30. The fiscal year for the county, municipality and fire district starts on January 1 and ends December 31.

The taxes for the municipality, county, school districts and fire district cover the current calendar year. Turnover of the tax monies by the municipality to the school districts are based on the schools’ needs and are generally made on a monthly basis throughout the year. The municipality remits county taxes, payable quarterly on the 15th day of February, May, August, and November. The municipality remits fire district taxes four times a year.

Property taxes are levied as of January 1. The tax levy is divided into two billings. The first or preliminary billing is an estimate of the current year's levy based upon one half of the prior year's taxes. The second or final billing reflects the current year's tax rate along with any changes in assessment from the previous year. The final tax bill is usually mailed on or before June 14th along with the preliminary billing for the subsequent year. The preliminary billing is divided into two due dates; February 1 and May 1. The final billing is also divided into two due dates; August 1 and November 1.

A ten-day grace period is granted before the taxes are considered delinquent and the imposition of interest charges. Delinquent payments are subject to an interest penalty of 8% of the first \$1,500 of delinquency and 18% on amounts exceeding \$1,500. Unpaid taxes at the end of the year in excess of \$10,000 are subject to an additional 6% penalty. Unpaid taxes of the prior year are a lien and will be placed into a tax sale in accordance with state statutes. Tax sale certificates are subsequently subject to foreclosure proceedings in order to enforce collection of delinquent taxes or acquire title to the property.

TAX RATES, TAX LEVIES, & TAX COLLECTIONS

Tax Rate Apportionment Per \$100 of Assessed Valuation

<u>Year</u>	<u>Municipal Purpose</u>	<u>County Purpose</u>	<u>District School</u>	<u>Tax Rate</u>
*2009	\$0.55	\$0.45	\$1.41	\$2.41
2008	0.91	0.80	2.52	4.23
2007	0.82	0.80	2.50	4.12
2006	0.79	0.76	2.37	3.92

Source: Sussex County Board of Taxation

*Revaluation Year

PROPERTY VALUATIONS

Real Property Net Assessed Valuations by Classification

<u>Classification</u>	<u>2009*</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Residential	\$2,436,680,800	\$1,337,443,700	\$1,315,066,200	\$1,269,768,200	\$1,254,741,600
Apartment	2,686,700	1,416,500	1,416,500	1,117,700	1,117,700
Farm Regular	36,943,400	21,635,100	21,629,700	21,166,800	21,056,100
Farm Qualified	1,503,400	1,640,860	1,638,100	1,681,100	1,792,200
Commercial	210,385,700	108,671,820	108,149,120	107,985,112	106,966,112
Industrial	16,655,200	9,085,600	9,085,600	8,801,700	8,130,300
Vacant Land	97,612,500	48,061,526	49,982,114	65,219,948	54,116,782
Subtotal	<u>\$2,802,467,700</u>	<u>\$1,527,955,106</u>	<u>\$1,506,967,334</u>	<u>\$1,475,740,560</u>	<u>\$1,447,920,794</u>
Public	9,650,445	5,016,750	5,470,748	6,480,026	7,051,429
Net Valuation Taxable	<u>\$2,812,118,145</u>	<u>\$1,532,971,856</u>	<u>\$1,512,438,082</u>	<u>\$1,482,220,586</u>	<u>\$1,454,972,223</u>
Exempt	203,464,400	135,564,154	131,327,154	129,623,894	129,426,754
Total	<u><u>\$3,015,582,545</u></u>	<u><u>\$1,668,536,010</u></u>	<u><u>\$1,643,765,236</u></u>	<u><u>\$1,611,844,480</u></u>	<u><u>\$1,584,398,977</u></u>

Source: Tax List District Summaries for years shown.

Net Assessed and Equalized Property Valuations

<u>Classification</u>	<u>2009*</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net Assessed Valuation:					
Real Property	\$2,802,467,700	\$1,527,955,106	\$1,506,967,334	\$1,475,740,560	\$1,447,920,794
Personal Tangible Property	9,650,445	5,016,750	5,470,748	6,480,026	7,051,429
Total	<u>\$2,812,118,145</u>	<u>\$1,532,971,856</u>	<u>\$1,512,438,082</u>	<u>\$1,482,220,586</u>	<u>\$1,454,972,223</u>
Percent Increase	83.44%	1.36%	2.03%	1.87%	0.63%

Source: County of Sussex Abstract of Ratables for years shown.

*Revaluation Year

TAX LEVY APPORTIONMENT

Year	Municipal	Local School	County (1)	Tax Levy
2009	\$ 15,450,973	\$ 39,707,071	\$ 12,596,923	\$ 67,754,967
2008	14,106,350	38,582,294	12,333,194	65,021,838
2007	12,462,490	37,765,579	12,084,380	62,312,449
2006	12,319,226	35,078,614	11,297,154	58,684,994
2005	11,214,709 (2)	32,702,467	10,339,058	54,255,604

TAX COLLECTION EXPERIENCE

Year	Current Levy Collection			Delinquent Taxes Collected	Total Taxes Collected	Percent of Current Levy
	Tax Levy	Amount	Percent			
2009	\$67,754,967	\$65,110,737	96.10%	\$1,706,135	\$66,816,872	98.62%
2008	65,021,838	62,633,643	96.33%	1,331,567	63,965,210	98.37%
2007	62,999,609	61,381,309	97.43%	1,223,367	62,604,676	99.37%
2006	58,694,994	57,249,158	97.54%	1,225,546	58,474,704	99.62%
2005	54,255,603	52,836,960	97.39%	1,059,476	53,896,436	99.34%

MUNICIPAL PURPOSE TAX LEVY

Year	Municipal Purpose Tax Levy	Current Tax Collection	Delinquent Tax Levy Collection	Total Collected	Reserve For Uncollected Taxes
2009	\$15,386,771	\$14,826,791	\$ 1,706,135	\$16,532,926	\$ 2,020,047
2008	13,932,057	13,394,881	1,331,567	14,726,448	1,676,725
2007	12,459,024	13,166,266	1,223,367	14,389,633	1,735,000
2006	11,694,750	12,583,390	1,225,546	13,808,936	1,710,000
2005	10,456,925	11,202,012	1,059,476	12,261,488	1,700,000

TAX TITLE LIENS AND DELINQUENT TAXES

Year	Delinquent Taxes	Tax Title Liens	Total Delinquent	Percent of Tax Levy
2009	\$ 2,166,351	\$ 2,837,086	\$ 5,003,437	7.38%
2008	1,714,140	2,474,294	4,188,434	6.44%
2007	1,341,375	2,215,825	3,557,200	5.65%
2006	1,223,067	2,008,755	3,231,822	5.51%
2005	1,173,980	1,945,784	3,119,764	5.75%

TAX TITLE LIENS

Year	Balance January 1,	Added by Sales and Transfers	Leins Collected	Others Credits	Balance December 31,
2009	\$ 2,474,294	\$ 380,649	\$ 17,858	\$ -	\$ 2,837,085
2008	2,215,825	291,607	20,827	12,311	\$ 2,474,294
2007	2,008,755	237,188	30,118	-	\$ 2,215,825
2006	1,945,784	199,363	54,360	82,032	\$ 2,008,755
2005	1,859,948	207,507	76,086	45,585	\$ 1,945,784

FORECLOSED PROPERTY

Year	Balance December 31,
2009	\$ 397,600
2008	397,600
2007	3,789,650
2006	1,428,776
2005	1,453,850

MAJOR REAL PROPERTY TAXPAYERS

Taxpayer	2010 Assessed Taxpayer Valuation
Mountain Creek/Great Gorge	\$ 63,495,700
Minerals Spa & Resort	38,651,000
Metaire Corporation	24,730,000
Shinnihon USA, Ltd.	17,244,300
Vernon Valley Associates	13,647,200
Newark Watershed	12,995,500
SES American	8,256,300
Glenwood Management	7,337,700
Hidden Valley/Begrift	6,038,500
Sirius (American Tower Corp.)	4,059,400
Total	\$ 196,455,600

**COMPARISON OF MUNICIPAL TAX LEVY
TO DEBT SERVICE REQUIREMENT**

Year	Municipal Purpose Tax Levy	Debt Service Requirement	Percent of Debt Service to Tax Levy
2009	\$ 15,386,771	\$ 2,958,967	19.23%
2008	13,932,057	2,729,056	19.59%
2007	12,459,024	2,516,116	20.20%
2006	11,694,750	2,381,666	20.37%
2005	10,456,925	2,328,840	22.27%

DEBT INFORMATION

The Township's debt incurring capacity is limited to by statute to 3.50% of its statutory equalized valuation. The levy of taxes to pay annual debt service requirements is not limited by any State statute or law. The following schedules set forth information on the amounts of debt issued and outstanding, debt authorized but not issued debt, annual debt service requirements, and overlapping debt. After the date noted above, the debt information and statistics noted below may vary from the figures shown because of either a reduction or an increase in the amounts of debt for each of the political entities noted.

**STATUTORY DEBT INFORMATION
(As of December 31, 2009)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purpose:			
Bonds and Notes Issued	\$ 17,567,000		
Less Deductions		\$ 17,567,000	
Net Debt for School Purpose			\$ -0-
Municipal Purpose:			
Bonds, Loans and Notes Issued:			
General	26,066,576	1,134,332	24,932,244
Assessment Trust	1,565,242	882,411	682,831
Sewer utility	2,825,000	2,825,000	-0-
Bonds, and Notes Authorized but Not Issued:			
General	500		500
Total Gross Statutory Debt	<u>\$ 48,024,318</u>		
Total Statutory Deductions		<u>\$ 22,408,743</u>	
Total Net Statutory Debt			<u>\$ 25,615,575</u>

Source: The Township's Audited Financial Statements.

STATUTORY BORROWING POWER
(As of December 31, 2009)

Equalized Valuation (1)	\$ 3,239,069,354
Statutory Borrowing Power (2)	\$ 113,367,427
Statutory Net Debt	<u>25,615,575</u>
Statutory Remaining Borrowing Power	<u><u>\$ 87,751,852</u></u>

Ratio:
 Statutory Net Debt to Equalized Valuation 0.79%

(1) Average for the years 2009, 2008, and 2007, as calculated by the State.

(2) 3.50% of State Equalized Valuation.

Source: The Township's Audited Financial Statements

AUTHORIZED BUT NOT ISSUED DEBT
(As of December 31, 2009)

General Improvements \$ 500

Source: The Township's Audited Financial Statements

TEMPORARY DEBT ISSUED AND OUTSTANDING
(As of December 31, 2009)

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
General:			
General Purposes	3.00%	1/8/2010	\$ 15,122,539
Assessment Trust	3.50%	1/9/2010	<u>\$ 98,000</u>
Total Temporary Debt Outstanding			<u><u>\$ 15,220,539</u></u>
(Will be retired with 2010 Bonds, Grants and Budget Appropriations)			

Source: The Township's Audited Financial Statements.

PERMANENT DEBT ISSUED AND OUTSTANDING
(As of December 31, 2009)

Purpose:	Interest Rate	Final Maturity Date	Amount Outstanding
General:			
General Bonds of 2001	4	9/15/2012	\$ 3,424,000
General Bonds of 2006	3.85-3.90%	1/1/21	<u>7,520,037</u>
Total Permanent Debt Issued and Outstanding - General			<u>\$ 10,944,037</u>
Sewer Utility Fund:			
Improvement to Sanitary Sewage System	4.285-4.40%	1/1/1933	<u>\$ 2,825,000</u>
Total Permanent Debt Issued to Outstanding - Sewage Utility Fund			<u>\$ 2,825,000</u>
Assessment Trust Fund:			
Environmental Protection Loan			\$ 1,161,279
Assessment Bonds of 2006			<u>305,963</u>
			<u>\$ 1,467,242</u>
Total Permanent Debt Issued to Outstanding - Assessment Trust Fund			
Grand Total			<u>\$ 15,236,279</u>

Source: The Township's Audited Financial Statements

SCHEDULE OF DEBT SERVICE OF OUTSTANDING BONDS - PRINCIPAL
(As of December 31, 2009)

Year	General	Sewer	Assessment Trust
2010	\$ 1,409,610	\$ 25,000	\$ 119,391
2011	1,409,610	25,000	121,783
2012	816,200	25,000	131,633
2013	672,700	25,000	153,622
2014	720,750	25,000	158,111
2015-2019	4,228,400	300,000	713,470
2020-2024	1,686,767	600,000	69,232
2025-2029		1,000,000	
2030-2033		800,000	
	<u>\$ 10,944,037</u>	<u>\$ 2,825,000</u>	<u>\$ 1,467,242</u>

Source: The Township's Audited Financial Statements

DIRECT AND OVERLAPPING DEBT ISSUED AND OUTSTANDING
(As of December 31, 2009)

	<u>Direct Debt</u>		<u>Direct and Overlapping Debt</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Direct Debt:				
General Purpose	\$ 26,067,076	\$ 24,932,744	\$ 26,067,076	\$ 24,932,744
Assessment Trust	1,565,242	682,831	1,565,242	682,831
Sewer Utility	2,825,000		2,825,000	
Overlapping Debt:				
Sussex County (1)			11,805,758	11,805,758
School District	17,567,000		17,567,000	
Gross Direct Debt	<u>\$ 48,024,318</u>			
Net Direct Debt		<u>\$ 25,615,575</u>		
Gross Direct and Overlapping Debt			<u>\$ 59,830,076</u>	
Net Direct and Overlapping Debt				<u>\$ 37,421,333</u>

(1) The Township's Share (15.31%) is obtained from the County.

DEBT RATIOS

	<u>Direct Debt</u>		<u>Direct and Overlapping Debt</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Per Capita (1)	\$ 965	\$ 515	\$ 1,202	\$ 738
Equalized Valuation (2)	1.48%	0.79%	1.85%	1.13%

(1) 2008 Census Population figure (49,763)

(2) 2009 Equalized Valuation as prepared by the County of Sussex is \$3,239,069,354.

Sources: The Township's Audited Financial Statements and the various political sub-divisions noted above.

APPENDIX B
FINANCIAL STATEMENTS

TOWNSHIP OF VERNON
FINANCIAL STATEMENTS
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Independent Auditors' Report

The Honorable Mayor and Members
of the Township Council
Township of Vernon, NJ

We have audited the financial statements of the various funds of the Township of Vernon in the County of Sussex (the "Township") as of and for the years ended December 31, 2009 and 2008, as listed in the foregoing table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

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

In our opinion, because the Township prepares its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, and the results of its operations for the years then ended.

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

However, in our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the various funds of the Township of Vernon at December 31, 2009 and 2008, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended, in conformity with accounting principles prescribed by the Division, as described in Note 1.

Mount Arlington, New Jersey
June 18, 2010

NISIVOCIA & COMPANY LLP

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE BALANCE SHEET

	December 31,	
	2009	2008
<u>ASSETS</u>		
Regular Fund:		
Cash - Treasurer	4,204,971	5,040,799
Change Funds	775	775
Due from State of New Jersey:		
Senior Citizen and Veteran Deductions	55,169	53,356
	4,260,915	5,094,931
Receivables and Other Assets With Full Reserves:		
Delinquent Property Taxes Receivable	2,166,351	1,714,140
Tax Title Liens Receivable	2,837,086	2,474,294
Property Acquired for Taxes at Assessed Valuation	397,600	397,600
Internal Revenue Service Receivable	91,614	
Ameripay Receivable	269,510	
Due from:		
Animal Control Fund	10,915	
Other Trust Funds		5,604
Assessment Trust Fund		1,863
Total Receivables and Other Assets With Full Reserves	5,773,076	4,593,502
Deferred Charges:		
Special Emergency Authorization	630,000	847,000
Overexpenditure of Budget Appropriations	29,305	
Deficit in Operations	159,090	
	818,395	847,000
Total Regular Fund	10,852,386	10,535,432
Federal and State Grant Fund:		
Federal and State Grants Receivable	372,527	339,978
Due from Current Fund	325,702	426,000
	698,229	765,978
<u>TOTAL ASSETS</u>	<u>11,550,615</u>	<u>11,301,410</u>

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE BALANCE SHEET
(Continued)

	December 31,	
	2009	2008
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Regular Fund:		
Appropriation Reserves:		
Unencumbered	1,406,448	1,672,974
Encumbered	442,977	247,306
Total Appropriation Reserves	1,849,425	1,920,279
Accounts Payable	66,593	
Special Emergency Notes	630,000	840,000
Prepaid Taxes	348,785	312,643
Tax Overpayments	6,597	
Due County for Added and Omitted Taxes	12,584	39,568
Due to:		
Federal and State Grant Fund	325,702	426,000
General Capital Fund	163,535	
Assessment Trust Fund	2,085	
Other Trust Funds	15,207	
State of New Jersey:		
Marriage License Fees	450	450
Civil Union	25	
Burial Permit Fees		10
Reserve for:		
Garden State Trust	158,945	164,928
Tax Appeals	125,000	100,000
Codification of Ordinances	11,690	11,690
Master Plan	3,423	3,423
Sale of Municipal Assets		11,000
Town Center Roadway	215,656	215,656
Revaluation	212,454	544,233
Public Assistance	28,157	28,157
Sale of Municipal Assets - Attorney Fees	1,500	1,500
	4,177,812	4,625,433
Reserve for Receivables and Other Assets	5,773,076	4,593,502
Fund Balance	901,498	1,316,498
Total Regular Fund	10,852,386	10,535,432
Federal and State Grant Fund:		
Appropriated Reserves	563,366	731,418
Unappropriated Reserves	44,495	12,506
Reserve for Encumbrances	90,368	22,054
Total Federal and State Grant Fund	698,229	765,978
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>11,550,615</u>	<u>11,301,410</u>

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

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

	Year Ended December 31,	
	2009	2008
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 415,000	\$ 914,488
Miscellaneous Revenue Anticipated	4,474,526	4,666,307
Receipts from:		
Delinquent Taxes	1,706,135	1,331,567
Current Taxes	65,110,737	62,633,643
Nonbudget Revenue	220,365	225,358
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	338,765	543,116
Cancellation of Appropriated Grant Reserves		17,808
Interfunds and Other Receivables Returned	7,467	139,100
Total Income	72,272,996	70,471,387
 <u>Expenditures</u>		
Budget Appropriations	19,783,640	19,508,392
County Taxes	12,596,923	12,333,194
Local School District Taxes	39,707,071	38,582,294
Refund of Prior Year Revenue	450	
Cancellation of Federal and State Grant Fund Receivables		20,131
Refund of Driveway Escrow		20
Payment to Internal Revenue Service - Ameripay	91,614	
Payments to Payroll Agencies - Ameripay	269,510	
Interfunds and Other Receivables Advanced	12,183	7,467
Total Expenditures	72,461,390	70,451,498
Excess/(Deficit) in Revenue	(188,395)	19,889
Adjustments before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year:		
Overexpenditure of Budget Appropriations	29,305	
Deficit in Operations	159,090	
Statutory Excess to Fund Balance		19,889
 <u>Fund Balance</u>		
Balance January 1	1,316,498	2,211,098
	1,316,498	2,230,986
Decreased by:		
Utilized as Anticipated Revenue	415,000	914,488
Balance December 31	\$ 901,498	\$ 1,316,498

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

TOWNSHIP OF VERNON
COMPARATIVE STATEMENT OF REVENUE - CURRENT FUND

	For the Years Ended December 31,			
	2009		2008	
	Budget After Modification	Realized	Budget After Modification	Realized
Fund Balance Anticipated	\$ 415,000	\$ 415,000	\$ 914,488	\$ 914,488
Miscellaneous Revenue Anticipated	4,677,292	4,474,526	5,013,573	4,666,307
Receipts from Delinquent Taxes	1,570,000	1,706,135	1,325,000	1,331,567
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes				
Including Reserve for Uncollected Taxes	15,386,771	14,826,791	13,932,057	13,394,881
Total Budget Revenue	22,049,063	21,422,452	21,185,118	20,307,243
Nonbudget Revenue		220,365		225,358
 Grand Total	 \$ 22,049,063	 \$ 21,642,817	 \$ 21,185,118	 \$ 20,532,601
 Original Budget	 \$ 21,986,224		 \$ 21,185,118	
Added by NJSA 40A:4-87	62,839			
	\$ 22,049,063		\$ 21,185,118	

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

TOWNSHIP OF VERNON
COMPARATIVE STATEMENT OF EXPENDITURES - CURRENT FUND

	2009					2008				
	Budget After Modification	Paid or Charged	Reserved	Overexpended	Unexpended Balance Canceled	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled	
Operations:										
Salaries and Wages	\$ 8,156,091	\$ 7,556,205	\$ 488,990	\$ 29,304	\$ 140,200	\$ 8,227,044	\$ 7,806,103	\$ 420,941		
Other Expenses	7,136,957.00	6,110,173.00	897,475.00		129,309.00	7,658,420.00	6,468,085.00	1,190,335.00		
Capital Improvements	391,762.00	391,762.00							1.00	
Municipal Debt Service	2,964,138.00	2,958,967.00			5,171.00	2,729,058.00	2,729,058.00			
Deferred Charges and Statutory Expenditures	1,380,068.00	1,360,084.00	19,984.00			893,871.00	832,173.00	61,698.00		
Reserve for Uncollected Taxes	2,020,047.00	2,020,047.00				1,676,725.00	1,676,725.00			
	<u>\$ 22,049,063</u>	<u>\$ 20,397,238</u>	<u>\$ 1,406,449</u>	<u>\$ 29,304</u>	<u>\$ 274,680</u>	<u>\$ 21,185,118</u>	<u>\$ 19,512,144</u>	<u>\$ 1,672,974</u>	<u>\$ 1</u>	
Original Budget	\$ 21,986,224					\$ 21,185,118				
Added by N.J.S.A. 40A:4-87	62,839									
	<u>\$ 22,049,063</u>					<u>\$ 21,185,118</u>				

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

TOWNSHIP OF VERNON
TRUST FUNDS
COMPARATIVE BALANCE SHEET

	December 31,	
	2009	2008
<u>ASSETS</u>		
Assessment Trust Fund:		
Cash and Cash Equivalents	\$ 905,791	\$ 898,779
Due from Current Fund	2,085	
Assessment Receivable	840,331	991,832
Assessment Liens	127,526	139,535
Assessment Liens Interest and Costs	3,160	3,160
	\$ 1,878,893	\$ 2,033,305
Animal Control Fund:		
Cash and Cash Equivalents	92,617	23,951
	\$ 92,617	\$ 23,951
Other Trust Funds:		
Cash and Cash Equivalents	1,553,901	2,260,720
Investments	15,000	15,000
Due from Current Fund	15,207	
Due from Animal Control Fund	8,051	
	\$ 1,592,159	\$ 2,275,720
Open Space Trust Fund:		
Cash and Cash Equivalents	893,724	888,408
	\$ 893,724	\$ 888,408
<u>TOTAL ASSETS</u>	<u>\$ 4,457,392</u>	<u>\$ 5,221,384</u>

LIABILITIES AND RESERVES

Assessment Trust Fund		
Due to Current Fund		\$ 1,863
Serial Bonds Payable	\$ 305,963	306,353
New Jersey Department of Environmental Protection:		
Loan Payable	1,161,279	1,277,935
Bond Anticipation Notes Payable	98,000	104,000
Reserve for:		
Assessment Escrow	3,653	4,177
Assessments and Liens	285,027	316,014
Assessment Liens Interest and Costs	3,160	3,160
Fund Balance	21,812	19,803
	\$ 1,878,893	\$ 2,033,305
Animal Control Fund:		
Due to Current Fund	10,915	
Due to Other Trust Funds	8,051	
Reserve for Animal Control Expenditures	73,651	23,951
	\$ 92,617	\$ 23,951

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

TOWNSHIP OF VERNON
TRUST FUNDS
COMPARATIVE BALANCE SHEET
(Continued)

	December 31,	
<u>LIABILITIES AND RESERVES</u>	2009	2008
Other Trust Funds:		
Due to Current Fund		\$ 5,604
Due to State of New Jersey:		
Building Surcharge	\$ 2,501	3,021
Reserve for:		
Developers Escrow Deposits Payable	168,093	230,957
Planning Board Application Deposits	185,340	193,486
Unemployment	27,210	23,882
Deposit for Redemption	10,561	10,561
Recreation	209,080	173,714
Parking Offense Adjudication Act	162	140
Premium on Tax Sale	158,000	237,479
M.A.C. Donations	8,122	9,322
Fire Prevention Penalty	80,036	48,734
Stream Clear Signs	4,876	4,876
Public Defender Fees	13,231	11,189
Police Outside Services	7,160	17,253
Senior Citizens Center	6,397	5,817
Compensated Absences	208,186	208,186
Small Cities Housing	1,733	1,733
Snow Removal		171,540
Council on Affordable Housing	258,410	598,090
Developers Bonds	143,494	257,643
Pleasant Valley Dam Rehabilitation	5,547	5,499
Unclaimed Properties	853	
Net Payroll and Payroll Deductions	85,117	56,994
Animal Control Donations	8,051	
	\$ 1,592,159	\$ 2,275,720
Open Space Trust Fund:		
Reserve for Open Space	893,724	888,408
	\$ 893,724	\$ 888,408
<u>TOTAL LIABILITIES AND RESERVES</u>	\$ 4,457,392	\$ 5,221,384

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

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

	December 31,	
	2009	2008
<u>ASSETS</u>		
Cash and Cash Equivalents	2,887,466	3,804,469
Due from Current Fund	163,535	
State and Federal Grants Receivable	92,114	274,892
Deferred Charges to Future Taxation:		
Funded	10,944,037	12,353,647
Unfunded	15,123,039	15,593,155
<u>TOTAL ASSETS</u>	<u>29,210,191</u>	<u>32,026,163</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	10,944,037	12,353,647
Bond Anticipation Notes Payable	15,122,539	15,592,655
Improvement Authorizations:		
Funded	494,551	650,251
Unfunded	930,522	2,149,838
Capital Improvement Fund	181,238	94,476
Reserve for:		
Encumbrances	163,267	1,050,962
Payment of Debt Service	1,134,332	13,413
Capital Projects	408	408
Fund Balance	239,298	120,513
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>29,210,191</u>	<u>32,026,163</u>

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

TOWNSHIP OF VERNON
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE

	2009	2008
Balance January 1	\$ 120,513	\$ 129,844
Increased by:		
Due From Current Fund:	14,125	889,537
Premium on Sale of Bond Anticipation Notes	224,660	91,669
	\$ 359,298	\$ 1,111,050
Decreased by:		
Appropriated to Finance Improvement Authorizations		889,537
Payment to Current Fund as Anticipated Revenue	120,000	101,000
	\$ 120,000	\$ 990,537
Balance December 31	\$ 239,298	\$ 120,513

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

TOWNSHIP OF VERNON
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET

	December 31,	
	2009	2008
<u>ASSETS</u>		
Operating Fund:		
Cash - Treasurer	\$ 98,607	\$ 89,648
Due from Current Fund		5,896
Total Operating Fund	\$ 98,607	\$ 95,545
Capital Fund:		
Cash and Cash Equivalents	450,868	452,690
Fixed Capital Authorized and Uncompleted	3,000,000	3,000,000
Total Capital Fund	\$ 3,450,868	\$ 3,452,690
<u>TOTAL ASSETS</u>	\$ 3,549,475	\$ 3,548,235
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves:		
Unencumbered	\$ 113	\$ 312
Accrued Interest on Bonds	61,781	62,313
	\$ 61,894	\$ 62,625
Fund Balance	36,712	32,920
Total Operating Fund	\$ 98,607	\$ 95,545
Capital Fund:		
Serial Bonds Payable	2,825,000	2,850,000
Improvement Authorizations:		
Funded	439,931	442,042
Reserve for:		
Encumbrances	10,937	10,648
Deferred Amortization	175,000	150,000
Total Capital Fund	\$ 3,450,868	\$ 3,452,690
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	\$ 3,549,475	\$ 3,548,235

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

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

	Year Ended December 31,	
	2009	2008
<u>Revenue and Other Income Realized</u>		
Contractor Contributions	\$ 155,738	\$ 163,877
Nonbudget Revenue	3,480	13,328
Other Credits to Income:		
Appropriation Reserves Lapsed	312	
Total Income	\$ 159,530	\$ 177,204
<u>Expenditures</u>		
Budget Expenditures:		
Operating	6,825	41,637
Debt Service	148,563	121,890
Deferred Charges and Statutory Expenditures	350	350
Total Expenditures	\$ 155,738	\$ 163,877
Excess in Revenue	3,792	13,328
<u>Fund Balance</u>		
Balance January 1	\$ 32,920	\$ 19,592
Balance December 31	\$ 36,712	\$ 32,920

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

TOWNSHIP OF VERNON
COMPARATIVE STATEMENT OF REVENUE - SEWER UTILITY FUND

	For the Years Ended December 31,	
	2009	2008
	Budget After Modification	Budget After Modification
	Realized	Realized
Contractor Contributions	\$ 155,738	\$ 163,877
Nonbudget Revenue	3,480	13,328
Grand Total	\$ 159,218	\$ 177,205

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

TOWNSHIP OF VERNON
COMPARATIVE STATEMENT OF EXPENDITURES - SEWER UTILITY FUND

	For the Years Ended December 31,					
	2009			2008		
	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Unexpended Balance Canceled
Operations:						
Salaries and Wages	\$ 500	\$ 500		\$ 500	\$ 500	
Other Expenses	6,325	6,212	113	41,137	40,825	312
Municipal Debt Service	148,563	148,562		121,890	121,890	
Deferred Charges and Statutory Expenditures	350	350		350	350	
	<u>\$ 155,738</u>	<u>\$ 155,624</u>	<u>\$ 113</u>	<u>\$ 163,877</u>	<u>\$ 163,565</u>	<u>\$ 312</u>
						<u>\$ -</u>

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

TOWNSHIP OF VERNON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET

	December 31,	
	2,009	2,008
<u>ASSETS</u>		
Land and Land Improvements	4,011,803	4,011,803
Buildings and Building Improvements	2,227,792	2,227,792
Machinery and Equipment	10,840,978	10,184,522
<u>TOTAL ASSETS</u>	17,080,573	16,424,116
 <u>RESERVES</u>		
Reserve for General Fixed Assets	17,080,573	16,424,116
<u>TOTAL RESERVES</u>	17,080,573	16,424,116

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Description of Funds

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

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

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

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

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

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

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

C. Basis of Accounting

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

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

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

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

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

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

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

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

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

E. Other significant accounting policies include:

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

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

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

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

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid. However, a partial reserve, the Reserve for Accrued Sick and Vacation, has been established in the amount of \$208,185.50 on the Trust Fund balance sheet at December 31, 2009.

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

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

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

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

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

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

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

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

Note 2: Long-Term Debt

Summary of Municipal Debt

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

Summary of Municipal Debt (Cont'd)

	December 31,		
	2009	2008	2007
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 26,066,576.10	\$ 27,946,302.10	\$ 28,921,732.10
Assessment Trust:			
Bonds, Loans and Notes	1,565,241.63	1,688,287.63	1,840,311.94
Sewer Utility:			
Bonds, Loans and Notes	2,825,000.00	2,850,000.00	2,850,000.00
Net Debt Issued	<u>30,456,817.73</u>	<u>32,484,589.73</u>	<u>33,612,044.04</u>
Less - Funds Temporarily Held to Pay			
Bonds, Notes and Loans:			
Reserve to Pay Debt Service -			
General	1,134,331.66	13,413.42	413.42
Assessment Trust Cash	882,410.85	872,934.99	844,140.12
Total Deductions	<u>2,016,742.51</u>	<u>886,348.41</u>	<u>844,553.54</u>
Net Issued	<u>28,440,075.22</u>	<u>31,598,241.32</u>	<u>32,767,490.50</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	500.00	500.00	700,500.00
Total Authorized but not Issued	<u>500.00</u>	<u>500.00</u>	<u>700,500.00</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 28,440,575.22</u>	<u>\$ 31,598,741.32</u>	<u>\$ 33,467,990.50</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.79%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 17,567,000.00	\$ 17,567,000.00	
General Debt	26,067,076.10	1,134,331.66	\$ 24,932,744.44
Assessment Trust Debt	1,565,241.63	882,410.85	682,830.78
Sewer Utility Debt	2,825,000.00	2,825,000.00	
	<u>\$ 48,024,317.73</u>	<u>\$ 22,408,742.51</u>	<u>\$ 25,615,575.22</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

Net Debt of \$25,615,575.22 divided by Equalized Valuation Basis Per N.J.S. 40A:2-2 as Amended,
\$3,239,069,354.33 = 0.79%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 113,367,427.40
Net Debt	25,615,575.22
Remaining Borrowing Power	\$ 87,751,852.18

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

Cash Receipts from Fees, Rents or Other Charges for Year		\$ 159,217.70
Deductions:		
Operating and Maintenance Costs	\$ 7,175.06	
Debt Service	148,562.50	
		155,737.56
Excess in Revenue		\$ 3,480.14

Note: If there is a deficit in revenue, sewer utility debt is not deductible to the extent of 20 times of said deficit or total debt service, whichever is smaller (40A:2-48). The foregoing debt information is in agreement with the Revised Annual Debt Statement filed by the Chief Financial Officer.

Summary of Municipal Debt Issued and Outstanding – Current Year

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/07	Additions	Retirements	Balance 12/31/08
Serial Bonds:				
General Capital Fund	\$13,785,257.10		\$ 1,431,610.00	\$12,353,647.10
Assessment Trust Fund	306,742.90		390.00	306,352.90
Sewer Utility Capital Fund		\$ 2,850,000		2,850,000.00
Loans Payable:				
Assessment Trust Fund:				
NJ DEP Loan	1,419,569.04		141,634.31	1,277,934.73
Bond Anticipation/Emergency Notes:				
Current Fund		840,000.00		840,000.00
General Capital Fund	15,136,475.00	15,592,655.00	15,136,475.00	15,592,655.00
Assessment Trust Fund	114,000.00	104,000.00	114,000.00	104,000.00
Sewer Utility Capital Fund	2,850,000.00	2,850,000.00	2,850,000.00	2,850,000.00
	<u>33,612,044.04</u>	<u>19,386,655.00</u>	<u>19,674,109.31</u>	<u>33,324,589.73</u>
Capital Lease Payable	42,125.83		25,531.94	16,593.89
Total	<u>\$33,654,169.87</u>	<u>\$19,386,655.00</u>	<u>\$19,699,641.25</u>	<u>\$33,341,183.62</u>

Analysis of Debt Issued and Outstanding at December 31, 2009

General Capital Serial Bonds Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>
General Improvement Bonds of 2001	9/15/2012	4.00%	\$ 3,424,000.00
General Improvement Bonds of 2006	1/1/2021	3.85%-3.90%	7,520,037.10
			<u>\$ 10,944,037.10</u>

Assessment Trust Serial Bonds Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>
General Improvement Bonds of 2006	1/1/2021	3.85%-3.90%	\$ 305,962.90

Sewer Utility Capital Serial Bonds Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>
Improvement to Sanitary Sewage System	1/1/2033	4.25%-4.40%	\$ 2,825,000.00

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

Analysis of Debt Issued and Outstanding at December 31, 2009 (Cont'd)

Assessment Trust NJ DEP Loan Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Balance Dec. 31, 2009</u>
Pleasant Valley Dam Rehabilitation	7/14/2018	<u>\$ 1,161,278.73</u>

General Capital Bond Anticipation Notes Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>
Various Capital Improvements	01/09/09	3.50%	\$ 1,649,742.36
Improvements to Town Center	01/09/09	3.50%	3,301,435.06
Various Capital Improvements	01/09/09	3.50%	1,197,694.05
Acquisition of Lands	01/09/09	3.50%	423,000.00
Provision of Affordable Housing	01/09/09	3.50%	675,300.00
Various Capital Improvements	01/09/09	3.50%	2,912,783.84
Improvements to Maple Grange Park	01/09/09	3.50%	2,000,000.00
Various Capital Improvements	01/09/09	3.50%	1,632,900.00
Various Capital Improvements	01/09/09	3.50%	1,329,683.69
			<u>\$ 15,122,539.00</u>

Assessment Trust Bond Anticipation Notes Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>
Improvement to Woodland Hills Drive	01/09/09	3.50%	<u>\$ 98,000.00</u>

Current Fund Special Emergency Notes Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2009</u>
Special Emergency	05/15/09	2.31%	<u>\$ 630,000.00</u>

Total Debt Issued and Outstanding \$ 31,086,817.73

New Jersey Department of Environmental Protection Fund Loan

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

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

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

At December 31, 2009, the Township has borrowed or "drawn down" all Loan funds necessary to complete the Pleasant Valley Dam Rehabilitation project partially funded with the Loan funds. Principal payments to the Fund for the Assessment Trust Fund loan will continue on a semiannual basis until July 14, 2018 at two percent interest.

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

Year	General		Sewer	
	Principal	Interest	Principal	Interest
2010	\$ 1,409,610.00	\$ 426,707.37	\$ 25,000.00	\$ 123,031.25
2011	1,409,610.00	370,337.39	25,000.00	121,968.75
2012	816,200.00	310,452.55	25,000.00	120,906.25
2013	672,700.00	268,843.22	25,000.00	119,843.75
2014	720,750.00	242,019.30	25,000.00	118,781.25
2015-2019	4,228,400.00	741,140.52	300,000.00	568,687.50
2020-2024	1,686,767.10	64,728.55	600,000.00	469,375.00
2025-2029			1,000,000.00	285,600.00
2030-2033			800,000.00	70,400.00
	<u>\$ 10,944,037.10</u>	<u>\$ 2,424,228.90</u>	<u>\$ 2,825,000.00</u>	<u>\$ 1,998,593.75</u>

Year	Assessment Trust		
	Principal	Interest	Total
2010	\$ 119,390.78	\$ 34,422.66	\$ 2,138,162.06
2011	121,782.70	32,015.73	2,080,714.57
2012	131,632.69	29,418.07	1,433,609.56
2013	153,621.73	26,253.37	1,266,262.07
2014	158,110.80	22,625.72	1,287,287.07
2015-2019	713,470.03	54,896.67	6,606,594.72
2020-2024	69,232.90	2,672.45	2,892,776.00
2025-2029			1,285,600.00
2030-2033			870,400.00
	<u>\$ 1,467,241.63</u>	<u>\$ 202,304.67</u>	<u>\$ 17,705,406.05</u>

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

Capital Leases Payable

The Township entered into two lease purchase agreements for the purchase of two police vehicles. Both capital leases have a term of three years. The following is a schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at December 31, 2009.

Year Ending December 31,	Amount
2010	\$ 5,470.90
Total minimum lease payments	5,470.90
Less: Amount representing interest	(136.62)
	\$ 5,334.28

Note 3: Fund Balances Appropriated

As of the date of this report, the budget for 2010 has not been introduced. Thus, the amount of fund balances at December 31, 2009, which are included in the Current and Sewer Utility Operating Fund budgets for the year ended December 31, 2010, are not known at this time.

Note 4: Local School District Taxes

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

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

Note 5: Pension Plans

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

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

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 5: Pension Plans (Cont'd)

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

For PFRS and PERS, the annual pension cost differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005-2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2007-2009 are as follows:

Three-Year Trend of PERS			
Year Funding December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 215,407.50	100.00%	\$ 215,407.50
2008	357,456.40	80.00%	285,965.12
2007	256,379.53	60.00%	153,827.72

- 20% for payments due in State fiscal year 2005
- Not more than 40% for payments due in State fiscal year 2006
- Not more than 60% for payments due in State fiscal year 2007
- Not more than 80% for payments due in State fiscal year 2008

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PFRS for local employers for State fiscal years 2004-2007. The local employer PFRS normal and accrued liability contributions required for State fiscal years 2007-2009 are as follows:

Three-Year Trend of PFRS			
Year Funding December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 357,639.50	100.00%	\$ 357,639.50
2008	597,736.00	100.00%	597,736.00
2007	450,059.00	80.00%	360,047.20

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 5: Pension Plans (Cont'd)

- 20% for payments due in State fiscal year 2004
- Not more than 40% for payments due in State fiscal year 2005
- Not more than 60% for payments due in State fiscal year 2006
- Not more than 80% for payments due in State fiscal year 2007

The employee and employer contributions for the DCRP for the year ended December 31, 2009 were \$1,704.78 and \$1,067.76, respectively.

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 \$686,654.48. This amount is not reported either as an expenditure or a liability. However, it is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used. This amount is partially reserved in the Reserve for Accrued Sick and Vacation of \$208,185.50 on the Trust Fund balance sheet at December 31, 2009.

Note 7: Selected Tax Information

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

Comparative Schedule of Tax Rate Information

	<u>2009*</u>	<u>2008</u>	<u>2007</u>
<u>Tax Rate</u>	\$ 2.41	\$ 4.23	\$ 4.12
<u>Apportionment of Tax Rate</u>			
Municipal	.55	.91	.82
County	.45	.80	.80
Local School	1.41	2.52	2.50
<u>Assessed Valuations</u>			
2009	<u>\$ 2,812,118,145.00</u>		
2008		<u>\$ 1,532,971,856.00</u>	
2007			<u>\$ 1,512,438,082.00</u>

* Revaluation year

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 7: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collection

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

Year	Tax Levy	Currently	
		Cash Collections	Percentage of Collection
2009	\$ 67,754,966.74	\$ 65,110,737.45	96.09%
2008	65,021,837.90	62,633,643.44	96.33%
2007	62,999,609.03	61,381,309.21	97.43%

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

Note 8: Cash and Cash Equivalents and Investments

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

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

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

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

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

Deposits

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

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

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

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

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;
- Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
 - (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2009, cash and cash equivalents and investments of the Township of Vernon consisted of the following :

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

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

Fund	Cash on Hand	Savings Accounts	Checking Accounts	New Jersey Cash Management Fund	Certificates of Deposits	Totals
Current	\$ 775.00		\$ 4,079,654.43	\$ 125,316.45		\$ 4,205,745.88
Assessment Trust			843,707.03	62,083.64		905,790.67
Animal Control			92,616.52			92,616.52
Other Trust		\$ 453,077.63	877,721.38	223,102.31	\$ 15,000.00	1,568,901.32
Open Space Trust			816,650.18	77,073.63		893,723.81
General Capital			2,071,390.88	816,075.04		2,887,465.92
Sewer Utility:						
Operating			97,801.91	804.84		98,606.75
Capital			35,867.86	415,000.00		450,867.86
	<u>\$ 775.00</u>	<u>\$ 453,077.63</u>	<u>\$ 8,915,410.19</u>	<u>\$ 1,719,455.91</u>	<u>\$ 15,000.00</u>	<u>\$ 11,103,718.73</u>

The Township has \$15,000.00 of investments in the form of a certificate of deposit as of the year ended December 31, 2009. The carrying amount of the Township's cash and cash equivalents and investments at year end was \$11,103,718.73 and the bank balance was \$11,188,212.74. The \$1,719,455.91 in the New Jersey Cash Management Fund is uninsured and unregistered.

Note 9: Risk Management

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

The following coverages are obtained through a commercial policy:

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

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

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

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 9: Risk Management (Continued)

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

	Statewide Insurance Fund Dec. 31, 2008
Total Assets	\$ 36,796,917
Fund Equity/Retained Earnings	\$ 4,366,131
Total Revenue	\$ 21,473,386
Total Expenditures	\$ 21,908,649
Net Income for the Year Ended December 31, 2008	\$ (435,263)
Net Assets Distribution to Participating Members	\$ -0-

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

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

New Jersey Unemployment Compensation Insurance

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

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

Year	Township Contributions	Employee Contributions	Interest Earned	Claims/ Reimbursed	Ending Balance
2009	\$ 34,000.00	\$ 1,187.16	\$ 82.46	\$ 31,942.03	\$ 27,209.74
2008	30,000.00	22,183.66	210.92	45,188.65	23,882.15
2007	25,000.00	28,421.21	532.70	46,994.83	16,676.22

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:

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 10: Post Retirement Benefits (Continued)

Plan Description (Continued)

1. Bargaining Unit Employees

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

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

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

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

1. Individuals employed with the Township of Vernon as of December 31, 2007, who retire within the meaning of PERS (Public Employees' Retirement System) and who have served in a full time capacity in Vernon Township for at least 20 years, shall be entitled to receive health benefits after retirement up until they reach the age sixty-five (65) with coverage equal to that of an active duty employee. When the retiree reaches the age of sixty-five (65), the Township shall provide the retiree with a supplemental integrated coverage policy which shall be secondary to the retiree's Medicare coverage, provided that the total available coverage is equal to that of an active duty employee.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 10: Post Retirement Benefits (Continued)

Plan Description (Continued)

1. Bargaining Unit Employees (Continued)

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

2. Upon the death of a retired employee who was employed by the Township as of December 31, 2007, coverage will be continued for his or her spouse or same or opposite sex domestic partner, provided that the employee was married or domestically partnered at the time of his or her retirement, and will be continued for his or her dependent children, provided the children were designated as dependents at the time of the employee's retirement, until the death, remarriage or re-partnering of the spouse or partner, or until receipt of other coverage by that spouse or partner, or until the spouse or partner reaches the age of sixty-five (65), whichever occurs first.
 3. For employees commencing employment with the Township on or after January 1, 2010, upon retirement as defined by PERS:
 - i. The employee will continue to receive single health insurance paid for by the Township up to age 65;
 - ii. The Township will provide coverage for the employee's spouses and/or dependents upon contribution by the employee of the current Township Group Rate until the employee is age 65 and to age 25 for dependents;
 - iii. Upon age 65/qualification for Medicare, the Township will provide the employee with single coverage Basic AARP Medicare Supplemental Insurance until the death of the employee.
 4. After retirement, no new dependents may be added to the employee's coverage. However, if a retired employee who had coverage for his or her spouse or domestic partner at the time of retirement remarries or repartners, the new spouse or domestic partner may receive coverage as provided for in Paragraph 3 or 4 above as applicable. However, upon the death of that employee, all coverages for the new spouse or domestic partner will terminate.
 5. A retired employee may opt out of being covered for medical insurance under the Township's insurance plan in exchange for a cash payment equal to one-half of the savings on the costs to the Township for providing coverage to said employee for one year. The employee may not, thereafter, apply to rejoin the Township insurance plan.
- C. American Federation of State, County and Municipal Employees (AFSCME) Local #3181
1. For employees who were employed with the Township as of December 31, 2009, and who retire within the meaning of PERS and who serviced in a full-time capacity with the Township for at least 20 years shall be entitled to receive health benefits after retirement until they reach the age of 65 with coverage equal to that of an active duty employee. When the retiree reaches the age of 65, the Township shall provide the retiree with a supplemental integrated coverage policy which shall be secondary to the retiree's Medicare coverage, provided that the total available coverage is equal to that of an active duty employee. Upon the death of the retired employee, coverage will be continued for their spouse, provided that the employee was married to the spouse at the time of their retirement, and will be continued for their dependent children, provided the children were designated as dependent at the time of their retirement or until the death or remarriage of the spouse, or until the receipt of other coverage by that spouse or until the spouse reaches age sixty five (65) whichever occurs first.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 10: Post Retirement Benefits (Continued)

Plan Description (Continued)

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

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

2. Non-bargaining Employees

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

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

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

The Township did not obtain an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards. Therefore, the financial statements do not include disclosures of required contributions, annual OPEB cost, funding progress, funding status and actuarial assumptions as required by that standard. The amounts that would be included in those disclosures are material to the financial statements.

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, 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, 2009.

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

(Continued)

Note 11: Contingencies (Cont'd)

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

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

Note 12: Interfund Receivables and Payables

The following interfund balances remained on the various balance sheets at December 31, 2009:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 18,965.72	\$ 507,855.86
Federal and State Grant Fund	325,701.63	
Assessment Trust Fund	2,084.96	
Animal Control Fund		18,965.72
Other Trusts Fund	16,534.47	
General Capital Fund	163,534.80	
	<u>\$ 526,821.58</u>	<u>\$ 526,821.58</u>

The interfund receivable in the Current Fun represents statutory excess due from the Animal Control Trust Fund. The interfund payable in the Current Fund represents the net of Federal and State Grant Fund expenditures paid by the Current Fund and Federal and State Grant Fund receipts collected by the Current Fund; budgeted capital improvement fund appropriation due to General Capital Fund; budgeted bond anticipation note paydown due to Assessment Trust Fund; as well as funds collected by the Current Fund on Other Trust Funds' behalf; offset against unallocated funds due from the Tax Sale Premium Trust Fund; as well as current year and prior year interest on assessment receivable from the Assessment Trust Fund.

Note 13: Economic Dependency

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009
(Continued)

Note 14: Fixed Assets

The following is a summarization of general fixed assets for the years ended December 31, 2009 and 2008:

	Balance Dec. 31, 2008	Additions	Deletions	Balance Dec. 31, 2009
Land & Land Improvements	\$ 4,011,803.00			\$ 4,011,803.00
Buildings & Building Improvements	2,227,791.65			2,227,791.65
Machinery and Equipment	10,184,521.74	\$ 661,995.15	\$ 5,538.98	10,840,977.91
	<u>\$ 16,424,116.39</u>	<u>\$ 661,995.15</u>	<u>\$ 5,538.98</u>	<u>\$ 17,080,572.56</u>
	Balance Dec. 31, 2007	Additions	Deletions	Balance Dec. 31, 2008
Land & Land Improvements	\$ 4,011,803.00			\$ 4,011,803.00
Buildings & Building Improvements	2,228,672.00		\$ 880.35	2,227,791.65
Machinery and Equipment	9,240,264.86	\$ 1,030,960.74	86,703.86	10,184,521.74
	<u>\$ 15,480,739.86</u>	<u>\$ 1,030,960.74</u>	<u>\$ 87,584.21</u>	<u>\$ 16,424,116.39</u>

Note 15: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2009, the following deferred charge is shown on the balance sheet of the Current Fund:

	Balance Dec. 31, 2009	2010 Budget Appropriation	Balance to Succeeding Years' Budgets
Current Fund:			
Special Emergency Authorizations (N.J.S.A. 40A:4-53)	\$ 630,000.00	\$ 210,000.00	\$ 420,000.00
Overexpenditure of Appropriations	29,304.64	29,304.64	-0-
Deficit in Operations	159,090.08	159,090.08	-0-

The appropriation in the 2010 budget will not be 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 plans are not available to employees until termination, retirement, death or unforeseeable emergency.

APPENDIX C

FORM OF LEGAL OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP

A NEW YORK LIMITED LIABILITY PARTNERSHIP

NEWARK
NEW YORK
WASHINGTON
HARTFORD
LOS ANGELES
SACRAMENTO
SAN FRANCISCO

ONE GATEWAY CENTER
24TH FLOOR
NEWARK, NJ 07102
WWW.HAWKINS.COM

January 6, 2011

C. STEVEN DONOVAN
ROBERT H. BEINFELD
KRISTINE L. PERLA
ERIC J. SAPIR
CHARLES G. TOTO
PATRICIA A. GOINS
CHRISTOPHER M. WATERMAN

Township Council of The
Township of Vernon, in the
County of Sussex, New Jersey

Ladies and Gentlemen:

We have acted as bond counsel to The Township of Vernon, in the County of Sussex, a municipal corporation of the State of New Jersey, situate in said County of Sussex (the "Township"), and have examined a record of proceedings relating to the issuance by the Township of \$13,395,000 General Bonds of 2011 (the "Bonds"). The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, and as provided by a resolution of the Township Council of the Township, entitled: "Resolution providing for the combination of certain issues of bonds of the Township of Vernon, in the County of Sussex, New Jersey, into a single issue of General Bonds aggregating \$13,395,000 in principal amount", adopted November 29, 2010 and the bond ordinances referred to therein.

The Bonds are dated the date hereof, and bear interest from their dated date at the rates per annum (payable semi-annually on each January 1 and July 1 until maturity or earlier redemption, commencing January 1, 2012) and mature on January 1 in the years and in the respective principal amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2012	\$595,000		2020	\$ 935,000	
2013	640,000		2021	980,000	
2014	680,000		2022	1,020,000	
2015	720,000		2023	1,065,000	
2016	765,000		2024	1,105,000	
2017	810,000		2025	1,150,000	
2018	850,000		2026	1,190,000	
2019	890,000				

The Bonds maturing prior to January 1, 2022 are not subject to redemption prior to maturity at the option of the Township. The Bonds maturing on and after January 1, 2022 are subject to redemption prior to maturity at the option of the Township in whole or in part, in any order of maturity and by lot within a maturity if less than all the Bonds of such maturity are to be redeemed, on any date on or after January 1, 2021, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued, if any, to the date fixed for redemption.

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements to be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Township delivered in connection with the issuance of the Bonds which contains provisions and procedures regarding compliance with the requirements of the Code. By said Arbitrage and Use of Proceeds Certificate, the Township has certified that, to the extent it is empowered and allowed under applicable law, it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds is excludable from gross income under Section 103 of the Code. In rendering this opinion we have assumed that the Township will comply with the provisions and procedures set forth in its Arbitrage and Use of Proceeds Certificate.

In our opinion, the Bonds are valid and legally binding obligations of the Township and, unless paid from other sources, are payable from ad valorem taxes levied upon all the taxable property within the Township without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in our opinion, under existing statutes, interest on the Bonds is not included in gross income under the New Jersey Gross Income Tax Act.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Township other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to the purchaser of the Bonds.

We express no opinion regarding any other federal or state consequences with respect to the Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds, or under state and local tax law.

Township Council of The
Township of Vernon, in the
County of Sussex, New Jersey

3.

We have examined an executed bond of said issue and, in our opinion, the form of said bond and its execution are regular and proper.

Very truly yours,