

*TOWNSHIP OF VERNON*

*COUNTY OF SUSSEX*

*REPORT OF AUDIT*

*2025*

*NISIVOCCIA LLP  
CERTIFIED PUBLIC ACCOUNTANTS*

TOWNSHIP OF VERNON  
COUNTY OF SUSSEX  
REPORT OF AUDIT  
2025

TOWNSHIP OF VERNON  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2025

<u>Part I – Financial Statements and Supplementary Data</u>	<u>Page</u>
Independent Auditors' Report	1-3
<u>Financial Statements</u>	<u>Exhibit</u>
<u>Current Fund</u>	
Comparative Balance Sheet – Regulatory Basis	A
Comparative Statement of Operations and Change in Fund Balance – Regulatory Basis	A-1
Statement of Revenue – Regulatory Basis	A-2
Statement of Expenditures – Regulatory Basis	A-3
<u>Trust Funds</u>	
Comparative Balance Sheet – Regulatory Basis	B
Statement of Fund Balance - Assessment Trust Fund – Regulatory Basis	B-1
Statement of Revenue - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-2
Statement of Expenditures - Assessment Trust Fund – Regulatory Basis (Not Applicable)	B-3
<u>General Capital Fund</u>	
Comparative Balance Sheet – Regulatory Basis	C
Statement of Fund Balance – Regulatory Basis	C-1
<u>Water Utility Fund</u> (Not Applicable)	
<u>Sewer Utility Fund</u> (Not Applicable)	
<u>General Fixed Assets Account Group</u>	
Comparative Balance Sheet – Regulatory Basis	F
	<u>Page</u>
<u>Notes to Financial Statements</u>	1-32
	<u>Schedule</u>
<u>Supplementary Data</u>	
Officials in Office and Surety Bonds	1
<u>Current Fund</u>	
Schedule of Cash - Treasurer	A-4
Schedule of Cash - Collector	A-5
Schedule of Cash - Federal and State Grant Fund (Not Applicable)	A-6
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-7
Schedule of Tax Title Liens Receivable	A-8
Schedule of Foreclosed Property	A-8a
Schedule of Revenue Accounts Receivable	A-9
Schedule of Federal and State Grants Receivable - Federal and State Grant Fund	A-10
Schedule of 2024 Appropriation Reserves	A-11
Schedule of Local School District Taxes Payable	A-12
Schedule of Appropriated Reserves - Federal and State Grant Fund	A-13
Schedule of Unappropriated Reserves – Federal and State Grant Fund	A-14
<u>Trust Funds</u>	
Schedule of Cash and Investments	B-4
Schedule of Cash – Collector	B-4a
Analysis of Assessment Trust Fund Cash - Assessment Trust Fund	B-5
Schedule of Reserve for Animal Control Fund Expenditures - Animal Control Fund	B-6
Schedule of Assessments Receivable	B-7

TOWNSHIP OF VERNON  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

<u>Part I – Financial Statements and Supplementary Data (Continued)</u>	<u>Schedule</u>
<u>Supplementary Data (Continued)</u>	
<u>Trust Funds</u>	
Schedule of Prospective Assessments Funded (Not Applicable)	
Schedule of Bond Anticipation Notes Payable (Not Applicable)	
Schedule of Serial Bonds Payable (Not Applicable)	
Schedule of Assessment Liens	B-8
Schedule of Assessment Liens – Interest and Costs	B-9
Schedule of Reserve for Assessments and Liens	B-10
<u>General Capital Fund</u>	
Schedule of Cash	C-2
Analysis of General Capital Fund Cash	C-3
Schedule of Deferred Charges to Future Taxation - Unfunded	C-4
Schedule of Improvement Authorizations	C-5
Schedule of Capital Improvement Fund	C-6
Schedule of Bond Anticipation Notes Payable	C-7
Schedule of Serial Bonds Payable	C-8
Schedule of NJ Environmental Infrastructure Trust Construction Loan Payable	C-9
Schedule of Bonds and Notes Authorized but not Issued	C-10
<u>Part II – Single Audit</u>	<u>Page</u>
Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of State Awards	2-3
Notes to Schedules of Expenditures of Federal and State Awards	4
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5-6
Independent Auditors' Report on Compliance for Each Major State Program: Report on Internal Control Over Compliance Required by NJOMB 25-12	7-9
Schedule of Findings and Responses	10-11
Summary Schedule of Prior Audit Findings	12
<u>Part III – Comments and Recommendations</u>	
Comments and Recommendations	1-4
Summary of Recommendations	5

TOWNSHIP OF VERNON  
PART I  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY DATA  
YEAR ENDED DECEMBER 31, 2025

## Independent Auditors' Report

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements – *regulatory basis* - of the various funds and account group of the Township of Vernon, in the County of Sussex (the "Township") as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

#### ***Unmodified Opinions on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund and account group of the Township as of December 31, 2025 and 2024, and the results of operations and changes in fund balance, where applicable, of such funds and account group, thereof for the years then ended in accordance with the accounting practices prescribed or permitted, as described in Note 1, by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund and account group of the Township as of December 31, 2025 and 2024, or the changes in financial position where applicable thereof for the years then ended.

#### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Division and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions prescribed or permitted by the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division's regulatory basis of accounting and the budget laws of New Jersey.

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

### ***Responsibilities of Management for the Financial Statements***

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

The Honorable Mayor and Members  
of the Township Council  
Township of Vernon  
Page 3

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements of the various funds and account group that collectively comprise the Township's financial statements. The supplementary data schedules listed in the table of contents and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 25-12, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the various fund and account group financial statements. The information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the various fund and account group financial statements or to the various fund and account group financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the various fund and account group financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2026 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
May 8, 2026

*Nisivoccia LLP*  
NISIVOCCIA LLP

*Man C Lee*

---

Man C. Lee  
Registered Municipal Accountant No. 562  
Certified Public Accountant

TOWNSHIP OF VERNON  
COUNTY OF SUSSEX  
2025  
CURRENT FUND

TOWNSHIP OF VERNON  
CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2025</u>	<u>2024</u>
<u>ASSETS</u>			
Regular Fund:			
Cash - Treasurer	A-4	\$ 11,324,462.72	\$ 12,372,354.26
Change Funds		870.00	870.00
Due from State of New Jersey:			
Senior Citizen and Veteran Deductions		59,319.55	55,819.55
		<u>11,384,652.27</u>	<u>12,429,043.81</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-7	1,788,669.82	1,824,739.62
Tax Title Liens Receivable	A-8	8,090,295.38	7,697,022.14
Property Acquired for Taxes at Assessed Valuation		9,364,885.00	9,364,885.00
Revenue Accounts Receivable	A-9		4,612.60
Due from Vernon Township MUA		220,040.83	220,040.83
Due from:			
Animal Control Fund	B	70,000.00	1,200.00
Total Receivables and Other Assets With Full Reserves		<u>19,533,891.03</u>	<u>19,112,500.19</u>
Total Regular Fund		<u>30,918,543.30</u>	<u>31,541,544.00</u>
Federal and State Grant Fund:			
Federal and State Grants Receivable	A-10	963,077.78	1,045,519.30
Due from Current Fund	A	106,974.62	601,821.12
		<u>1,070,052.40</u>	<u>1,647,340.42</u>
<u>TOTAL ASSETS</u>		<u>\$ 31,988,595.70</u>	<u>\$ 33,188,884.42</u>

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

	Ref.	December 31,	
		2025	2024
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-11	\$ 960,057.19	\$ 1,193,644.80
Encumbered	A-3;A-11	534,694.53	516,203.21
Total Appropriation Reserves		1,494,751.72	1,709,848.01
Accounts Payable - Vendors		95,000.00	1,788.92
Other Encumbrances Payable		2,157.22	5,410.79
Prepaid Taxes		654,577.92	621,762.34
Tax Overpayments		693,639.58	555,628.42
Due County for Added and Omitted Taxes		16,948.59	26,527.75
Due to:			
Federal and State Grant Fund	A	106,974.62	601,821.12
Other Trust Funds	B	827,932.73	813,588.89
Open Space Trust Fund	B	36,291.52	
General Capital Fund	C	2,220.81	111,820.93
State of New Jersey:			
Marriage License Fees		650.00	850.00
Reserve for:			
Tax Appeals		665,716.28	615,716.28
Codification of Ordinances		8,617.63	8,617.63
Master Plan		3,422.64	3,422.64
Sale of Municipal Assets		211,121.84	182,612.82
Maple Grange Turf Field		468,588.45	375,267.41
Road Repairs and Maintenance		71,317.08	17,166.24
		5,359,928.63	5,651,850.19
Reserve for Receivables and Other Assets	A	19,533,891.03	19,112,500.19
Fund Balance	A-1	6,024,723.64	6,777,193.62
Total Regular Fund		30,918,543.30	31,541,544.00
Federal and State Grant Fund:			
Appropriated Reserves	A-13	1,038,141.16	1,031,159.18
Unappropriated Reserves	A-14	31,911.24	64,626.24
Due from General Capital Fund	C		551,555.00
Total Federal and State Grant Fund		1,070,052.40	1,647,340.42
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 31,988,595.70</u>	<u>\$ 33,188,884.42</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 - REGULATORY BASIS

	<u>Ref.</u>	<u>Year Ended December 31,</u>	
		<u>2025</u>	<u>2024</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized		\$ 1,650,000.00	\$ 1,750,000.00
Miscellaneous Revenue Anticipated		8,901,881.97	10,035,241.35
Receipts from:			
Delinquent Taxes		1,987,624.84	1,957,169.85
Current Taxes		85,293,487.67	80,525,423.78
Nonbudget Revenue		126,247.33	119,022.09
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		538,243.99	662,354.52
Cancellation of Accounts Payable		1,433.28	25,220.57
Cancellation of Tax Overpayments		10,802.72	2,151.86
Prior Year Senior Citizens' Deductions Allowed		500.00	750.00
Interfunds and Other Receivables Returned		5,812.60	
Total Income		<u>98,516,034.40</u>	<u>95,077,334.02</u>
<u>Expenditures</u>			
Budget Appropriations		29,829,245.77	28,980,353.02
County Taxes		16,434,881.54	16,201,586.52
Local School District Taxes		51,216,913.00	47,923,966.00
Reserve for Tax Appeals			50,000.00
Prior Year Taxes Applied to Prepaid Taxes			845.10
Prior Year Taxes Transferred to Overpayments			923.59
Refund of Prior Year Taxes		67,464.07	64,463.54
Interfunds and Other Receivables Advanced		70,000.00	1,200.00
Total Expenditures		<u>97,618,504.38</u>	<u>93,223,337.77</u>
Excess in Revenue		897,530.02	1,853,996.25
<u>Fund Balance</u>			
Balance January 1		<u>6,777,193.62</u>	<u>6,673,197.37</u>
		7,674,723.64	8,527,193.62
Decreased by:			
Utilized as Anticipated Revenue		<u>1,650,000.00</u>	<u>1,750,000.00</u>
Balance December 31	A	<u>\$ 6,024,723.64</u>	<u>\$ 6,777,193.62</u>

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

TOWNSHIP OF VERNON  
CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2025

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Fund Balance Anticipated	\$ 1,650,000.00		\$ 1,650,000.00	
Miscellaneous Revenue:				
Licenses:				
Alcoholic Beverages	10,000.00		15,191.37	\$ 5,191.37
Fees and Permits	308,620.00		457,285.61	148,665.61
Fines and Costs:				
Municipal Court	60,000.00		56,734.25	3,265.75 *
Interest and Costs on Taxes	425,000.00		421,840.37	3,159.63 *
Interest on Investments and Deposits	650,000.00		490,434.52	159,565.48 *
Recycling Receipts	50,000.00		54,361.63	4,361.63
Vacant Property Fees	90,000.00		67,225.00	22,775.00 *
Energy Receipts Tax	1,884,455.00		1,884,454.67	0.33 *
Watershed Moratorium Aid	294,455.00		294,455.00	
Garden State Trust Payment in Lieu of Taxes	130,487.00		130,487.00	
Uniform Construction Code Fees	625,000.00		621,141.00	3,859.00 *
Interlocal Service Agreement - 911 Communications:				
Township of Wantage	15,000.00		15,000.00	
Interlocal Service Agreement - Animal Control Services:				
Township of Montague	16,100.00		16,100.00	
Borough of Franklin	14,000.00		14,000.00	
Borough of Hamburg	13,500.00		13,500.00	
Township of Hardyston	18,860.00		18,860.00	
Township of Lafayette	10,700.00		10,700.00	
Borough of Ogdensburg	13,780.00		13,760.00	20.00 *
Interlocal Service Agreement - Financial Services:				
Vernon Township MUA	98,938.00		101,500.00	2,562.00
Interlocal Service Agreement- Senior Citizens:				
County of Sussex	27,700.00		27,700.00	
Interlocal Service Agreement- Board of Education:				
Gasoline	15,000.00		14,177.78	822.22 *
Municipal Alliance - 2025	7,472.00		7,472.00	
Municipal Alliance - 2026		\$ 7,472.00	7,472.00	
Safe and Secure Communities Grant - 2025	45,150.00		45,150.00	
Clean Communities Program - 2025		68,866.76	68,866.76	
Recreational Opportunities for Individuals with Disabilities Grant		12,337.00	12,337.00	
Federal Body Armor:				
2023	3,900.40		3,900.40	
2025	3,725.50		3,725.50	
State of NJ Body Armor	3,829.42		3,829.42	
National Opioid Settlement Proceeds:				
2024	58,010.63		58,010.63	
2025	12,995.00	2,563.50	15,558.50	
NJ Highlands Water Protection & Planning Council:				
2025 - Highlands Stormwater Assistance Grant	50,000.00		50,000.00	
Drunk Driving Enforcement Fund	12,818.02		12,818.02	

TOWNSHIP OF VERNON  
CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Miscellaneous Revenue: (Cont'd)				
Uniform Fire Safety Act	\$ 25,000.00		\$ 43,613.58	\$ 18,613.58
Lot Development Plan	5,000.00		6,850.00	1,850.00
Hotel Occupancy Fee (P.L.2003, c.114)	390,000.00		388,837.66	1,162.34 *
SCMUA Bills to be Repaid by VTMUA	2,810,411.00		2,759,434.00	50,977.00 *
VTMUA - Principal and Interest Payment	320,125.00		347,246.01	27,121.01
Developer Payment for Bond per Agreement	259,867.78		260,085.03	217.25
Local Cannabis Tax	17,000.00		54,150.83	37,150.83
Reserve for Payment of Debt Service	13,616.43		13,616.43	
Total Miscellaneous Revenue	<u>8,810,516.18</u>	<u>\$ 91,239.26</u>	<u>8,901,881.97</u>	<u>126.53</u>
Receipts from Delinquent Taxes	<u>1,800,000.00</u>		<u>1,987,624.84</u>	<u>187,624.84</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	<u>20,172,838.82</u>		<u>20,326,139.16</u>	<u>153,300.34</u>
Budget Totals	<u>32,433,355.00</u>	<u>91,239.26</u>	<u>32,865,645.97</u>	<u>\$ 341,051.71</u>
Nonbudget Revenue			<u>126,247.33</u>	
	<u>\$ 32,433,355.00</u>	<u>\$ 91,239.26</u>	<u>\$ 32,991,893.30</u>	

TOWNSHIP OF VERNON  
CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Allocation of Current Tax Collections

Collections		\$ 85,293,487.67
Allocated to:		
County Taxes	\$ 16,417,932.95	
Due to County for Added and Omitted Taxes	16,948.59	
School Taxes	<u>51,216,913.00</u>	
		<u>67,651,794.54</u>
		17,641,693.13
 Add: Appropriation "Reserve for Uncollected Taxes"		 <u>2,684,446.03</u>
 Realized for Support of Municipal Budget		 <u><u>\$ 20,326,139.16</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collections		\$ 1,793,393.08
Tax Title Liens Redeemed		<u>194,231.76</u>
		<u><u>\$ 1,987,624.84</u></u>

Analysis of Nonbudget Revenue:

Treasurer:		
National Wildlife in Lieu of Tax	\$ 9,737.00	
Cable TV Franchise Fee	54,762.00	
Administrative Fee - Senior Citizens and Veterans Deductions	2,435.00	
Other Miscellaneous Receipts	19,738.57	
Refund of Prior Year Expenses	19,349.96	
CAP Refund, Sussex Rural Cooperative	99.61	
Geographic Information Systems Fee	8,325.00	
DPW Work for the VTMUA	8,745.33	
Interest on Lake Community Property Owners Dam Trust Receivables	<u>1,339.86</u>	
		\$ 124,532.33
 Collector:		
Other Miscellaneous		<u>1,715.00</u>
		<u><u>\$ 126,247.33</u></u>

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

TOWNSHIP OF VERNON  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS":					
GENERAL GOVERNMENT:					
General Administration:					
Salaries and Wages	\$ 185,000.00	\$ 185,000.00	\$ 181,115.19	\$ 3,884.81	
Other Expenses	157,450.00	157,450.00	156,754.12	695.88	
Mayor and Council:					
Salaries and Wages	45,000.00	45,000.00	45,000.00		
Other Expenses	6,150.00	6,150.00	4,977.10	1,172.90	
Municipal Clerk:					
Salaries and Wages	202,000.00	206,000.00	203,929.33	2,070.67	
Other Expenses	44,200.00	44,200.00	33,261.60	10,938.40	
Financial Administration:					
Salaries and Wages	265,000.00	223,000.00	209,818.94	13,181.06	
Other Expenses	19,800.00	36,800.00	31,056.08	5,743.92	
Annual Audit	49,000.00	67,000.00	10,075.00	56,925.00	
Technology:					
Other Expenses	38,000.00	38,000.00	37,035.98	964.02	
Revenue Administration (Collection of Taxes):					
Salaries and Wages	183,000.00	186,000.00	185,004.92	995.08	
Other Expenses	25,100.00	25,100.00	22,014.48	3,085.52	
Tax Assessment Administration:					
Salaries and Wages	235,000.00	238,000.00	237,356.10	643.90	
Other Expenses	77,050.00	62,050.00	24,094.88	37,955.12	
Legal Services:					
Other Expenses	280,000.00	280,000.00	224,697.01	55,302.99	
Engineering Services:					
Other Expenses	30,000.00	30,000.00	26,691.20	3,308.80	
Economic Development:					
Other Expenses	500.00	500.00	30.00	470.00	

TOWNSHIP OF VERNON  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
GENERAL GOVERNMENT (Continued):					
Beautification Committee:					
Other Expenses	\$ 10,000.00	\$ 10,000.00	\$ 9,604.63	\$ 395.37	
Historical Preservation Commission:					
Salaries and Wages	2,000.00	2,000.00		2,000.00	
Other Expenses	500.00	500.00		500.00	
MUNICIPAL LAND USE LAW (N.J.S.A.40:55D-11):					
Land Use Board:					
Salaries and Wages	190,000.00	190,000.00	140,405.80	49,594.20	
Other Expenses	51,500.00	51,500.00	23,205.95	28,294.05	
INSURANCE:					
Liability Insurance	713,000.00	713,000.00	682,422.38	30,577.62	
Workers Compensation	515,000.00	515,000.00	486,728.19	28,271.81	
Employee Group Insurance (Health)	3,333,000.00	3,333,000.00	3,094,032.93	238,967.07	
Health Benefit Waiver	65,000.00	65,000.00	46,487.04	18,512.96	
Unemployment Insurance	2,000.00	2,000.00		2,000.00	
PUBLIC SAFETY FUNCTIONS:					
Police Department:					
Salaries and Wages	4,577,069.00	4,577,069.00	4,565,016.55	12,052.45	
Other Expenses	202,263.00	222,263.00	195,880.11	26,382.89	
Police Dispatch/911:					
Salaries and Wages	472,378.00	482,378.00	458,613.47	23,764.53	
Other Expenses	9,000.00	9,000.00	3,508.58	5,491.42	
Volunteer Emergency Services:					
Other Expenses	357,000.00	357,000.00	322,234.15	34,765.85	
Uniform Fire Safety:					
Salaries and Wages	216,000.00	216,000.00	201,632.94	14,367.06	
Other Expenses	20,250.00	20,250.00	17,192.89	3,057.11	

TOWNSHIP OF VERNON  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
PUBLIC SAFETY FUNCTIONS (Continued):					
Municipal Prosecutor:					
Other Expenses	\$ 34,000.00	\$ 34,000.00	\$ 32,050.00	\$ 1,950.00	
Office of Emergency Management:					
Salaries and Wages	15,450.00	15,450.00	14,375.00	1,075.00	
Other Expenses	18,500.00	18,500.00	13,916.73	4,583.27	
PUBLIC WORKS FUNCTIONS:					
Streets and Roads Maintenance:					
Salaries and Wages	1,607,000.00	1,637,000.00	1,630,617.54	6,382.46	
Other Expenses	829,500.00	829,500.00	827,168.49	2,331.51	
Recycling:					
Salaries and Wages	26,000.00	26,000.00	24,155.06	1,844.94	
Other Expenses	18,000.00	18,000.00	16,774.93	1,225.07	
Buildings and Grounds:					
Salaries and Wages	57,000.00	57,000.00	55,502.16	1,497.84	
Other Expenses	148,500.00	148,500.00	145,352.81	3,147.19	
Fleet Management:					
Salaries and Wages	300,000.00	300,000.00	298,914.85	1,085.15	
Other Expenses	337,500.00	349,500.00	342,338.27	7,161.73	
Municipal Services Act (Ch. 6, P.L. 1993):					
Other Expenses	350,000.00	350,000.00	350,000.00		
HEALTH AND HUMAN SERVICES FUNCTIONS:					
Environmental Commission (N.J.S.A.40:56A-1 etc.):					
Salaries and Wages	500.00	500.00		500.00	
Other Expenses	500.00	500.00	450.00	50.00	
Animal Control:					
Salaries and Wages	93,700.00	83,700.00	69,924.82	13,775.18	
Other Expenses	19,900.00	19,900.00	14,496.78	5,403.22	

TOWNSHIP OF VERNON  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
PARKS AND RECREATION FUNCTIONS:					
Recreation Services and Programs:					
Salaries and Wages	\$ 92,000.00	\$ 92,000.00	\$ 81,264.66	\$ 10,735.34	
Other Expenses	80,275.00	80,275.00	78,979.14	1,295.86	
Senior Citizens:					
Salaries and Wages	90,000.00	90,000.00	88,546.32	1,453.68	
Other Expenses	69,250.00	69,250.00	67,667.15	1,582.85	
Maintenance of Parks:					
Salaries and Wages	312,000.00	262,000.00	261,206.75	793.25	
Other Expenses	45,000.00	45,000.00	40,785.83	4,214.17	
OTHER COMMON OPERATING FUNCTIONS:					
Municipal Court:					
Salaries and Wages	200,500.00	200,500.00	198,751.11	1,748.89	
Other Expenses	7,600.00	7,600.00	5,919.19	1,680.81	
UNIFORM CONSTRUCTION CODE:					
Construction Code Official:					
Salaries and Wages	520,000.00	520,000.00	508,007.46	11,992.54	
Other Expenses	22,750.00	22,750.00	22,647.75	102.25	
UTILITY EXPENSES AND BULK PURCHASES:					
Utilities	555,000.00	555,000.00	542,925.99	12,074.01	
Total Operations Within "CAPS"	18,428,635.00	18,428,635.00	17,612,616.33	816,018.67	
Detail:					
Salaries and Wages	9,886,597.00	9,834,597.00	9,659,158.97	175,438.03	
Other Expenses	8,542,038.00	8,594,038.00	7,953,457.36	640,580.64	

TOWNSHIP OF VERNON  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Within "CAPS" (Continued):					
STATUTORY EXPENDITURES:					
Contributions to:					
Public Employees' Retirement System	\$ 708,341.00	\$ 708,341.00	\$ 702,341.00	\$ 6,000.00	
Social Security System (O.A.S.I.)	720,000.00	720,000.00	716,687.64	3,312.36	
Police and Firemen's Retirement System of NJ	1,394,868.00	1,394,868.00	1,394,868.00		
Defined Contribution Retirement Program	7,000.00	7,000.00	3,250.84	3,749.16	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	2,830,209.00	2,830,209.00	2,817,147.48	13,061.52	
Total General Appropriations for Municipal Purposes Within "CAPS"	21,258,844.00	21,258,844.00	20,429,763.81	829,080.19	
Operations Excluded from "CAPS":					
LOSAP	80,000.00	80,000.00		80,000.00	
Sussex County Municipal Utility Authority:					
Capital Improvement/Service Agreement	2,810,411.00	2,810,411.00	2,759,434.00	50,977.00	
Interlocal Municipal Service Agreements:					
911 Communication Service:					
Salaries and Wages	15,000.00	15,000.00	15,000.00		
Animal Control Services:					
Salaries and Wages	86,940.00	86,940.00	86,940.00		
Financial Services:					
Salaries and Wages	98,938.00	98,938.00	98,938.00		
Senior Citizens:					
Salaries and Wages	27,700.00	27,700.00	27,700.00		
Board of Education:					
Gasoline	15,000.00	15,000.00	15,000.00		

TOWNSHIP OF VERNON  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operations Excluded from "CAPS" (Continued):					
Public and Private Program Offset by Revenue:					
Matching Funds for Grants	\$ 2,800.00	\$ 2,800.00	\$ 2,800.00		
Municipal Alliance - 2025	7,472.00	7,472.00	7,472.00		
Municipal Alliance - 2026		7,472.00	7,472.00		
Safe and Secure Communities Grant - 2025					
Salaries and Wages	45,150.00	45,150.00	45,150.00		
Clean Communities Program - 2024					
(N.J.S.A.40A:4-87 + \$68,866.76)	7,625.90	68,866.76	68,866.76		
Federal Body Armor	3,829.42	7,625.90	7,625.90		
State of NJ Body Armor		3,829.42	3,829.42		
National Opioid Settlement Proceeds:					
2024	58,010.63	58,010.63	58,010.63		
2025 (N.J.S.A.40A:4-87 + \$2,563.50)	12,995.00	15,558.50	15,558.50		
Recreational Opportunities for Individuals					
with Disabilities Grant (N.J.S.A.40A:4-87 + \$12,337.00)		12,337.00	12,337.00		
Highlands Plan Conformance Grant:					
2025 - Highlands Stormwater Assistance Grant	50,000.00	50,000.00	50,000.00		
Drunk Driving Enforcement Fund:					
Salaries and Wages	6,409.01	6,409.01	6,409.01		
Other Expenses	6,409.01	6,409.01	6,409.01		
Total Operations Excluded from "CAPS"	3,334,689.97	3,425,929.23	3,294,952.23	\$ 130,977.00	
Detail:					
Salaries and Wages	280,137.01	280,137.01	280,137.01		
Other Expenses	3,054,552.96	3,145,792.22	3,014,815.22	130,977.00	

TOWNSHIP OF VERNON  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

	Appropriations		Expended By		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Capital Improvements - Excluded from "CAPS":					
Capital Improvement Fund	\$ 900,000.00	\$ 900,000.00	\$ 900,000.00		
Police Department	5,000.00	5,000.00	5,000.00		
Fire Department	202,000.00	202,000.00	202,000.00		
Department of Public Works Improvements	205,550.00	205,550.00	205,550.00		
Animal Control Improvements	7,000.00	7,000.00	7,000.00		
Emergency Services Improvements	37,500.00	37,500.00	37,500.00		
Acquisition of Municipal SUV's and Trucks	382,000.00	382,000.00	382,000.00		
<b>Total Capital Improvements Excluded from "CAPS"</b>	<b>1,739,050.00</b>	<b>1,739,050.00</b>	<b>1,739,050.00</b>		
Municipal Debt Service Excluded from "CAPS":					
Payment of Bond Principal	2,150,000.00	2,150,000.00	2,150,000.00		
Payment of Bond Anticipation Notes and Capital Notes	625,575.00	625,575.00	615,000.00		\$ 10,575.00
Interest on Bonds	410,750.00	410,750.00	410,735.05		14.95
Interest on Notes	230,000.00	230,000.00	229,687.49		312.51
<b>Total Municipal Debt Service Excluded from "CAPS"</b>	<b>3,416,325.00</b>	<b>3,416,325.00</b>	<b>3,405,422.54</b>		<b>10,902.46</b>
<b>Total General Appropriations Excluded from "CAPS"</b>	<b>8,490,064.97</b>	<b>8,581,304.23</b>	<b>8,439,424.77</b>	<b>\$ 130,977.00</b>	<b>10,902.46</b>
Subtotal General Appropriations	29,748,908.97	29,840,148.23	28,869,188.58	960,057.19	10,902.46
Reserve for Uncollected Taxes	2,684,446.03	2,684,446.03	2,684,446.03		
<b>Total General Appropriations</b>	<b>\$ 32,433,355.00</b>	<b>\$ 32,524,594.26</b>	<b>\$ 31,553,634.61</b>	<b>\$ 960,057.19</b>	<b>\$ 10,902.46</b>

Ref.

A

TOWNSHIP OF VERNON  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

	<u>Ref.</u>	Analysis of	
		Budget After Modification	Paid or Charged
Adopted Budget		\$ 32,433,355.00	
Added by:			
N.J.S.A. 40A:4-87		91,239.26	
		\$ 32,524,594.26	
Cash Disbursed			\$ 28,909,136.48
Reserve for Uncollected Taxes			2,684,446.03
Encumbrances	A		534,694.53
Transfer to Appropriated Grant Reserves:			
Federal, State and Local Grants			289,140.23
Local Matching Funds			2,800.00
Due to Other Trust Fund			425,016.49
			32,845,233.76
Less: Appropriation Refunds			1,221,599.15
Less: Due from Animal Control Fund			70,000.00
			\$ 31,553,634.61

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

TOWNSHIP OF VERNON  
COUNTY OF SUSSEX  
2025  
TRUST FUNDS

TOWNSHIP OF VERNON  
TRUST FUNDS  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	Ref.	December 31,	
		2025	2024
<u>ASSETS</u>			
Assessment Trust Fund:			
Cash and Cash Equivalents	B-4	\$ 41,825.75	\$ 41,825.75
Assessment Receivable	B-7	4,932.43	4,932.43
Assessment Liens	B-8	352.40	352.40
Assessment Liens Interest and Costs	B-9	56.31	56.31
		<u>47,166.89</u>	<u>47,166.89</u>
Animal Control Fund:			
Cash and Cash Equivalents	B-4	171,284.80	105,397.60
Open Space Trust Fund:			
Cash and Cash Equivalents	B-4	452,684.95	475,062.81
Due from Current Fund	A	36,291.52	
		<u>488,976.47</u>	<u>475,062.81</u>
Other Trust Funds:			
Cash and Cash Equivalents		4,416,088.79	4,536,488.42
Investments		15,000.00	15,000.00
	B-4	<u>4,431,088.79</u>	<u>4,551,488.42</u>
Due from Current Fund	A	827,932.73	813,588.89
		<u>5,259,021.52</u>	<u>5,365,077.31</u>
Lake Community Property Owners Dam #1 Trust Fund:			
Cash and Cash Equivalents	B-4	147,829.80	159,335.15
Accounts Receivable			8,778.72
		<u>147,829.80</u>	<u>168,113.87</u>
Lake Community Property Owners Dam #2 Trust Fund:			
Cash and Cash Equivalents	B-4	284,277.44	289,795.33
Accounts Receivable			15,404.32
		<u>284,277.44</u>	<u>305,199.65</u>
<u>TOTAL ASSETS</u>		<u>\$ 6,398,556.92</u>	<u>\$ 6,466,018.13</u>
<u>LIABILITIES AND RESERVES</u>			
Assessment Trust Fund			
Reserve for:			
Assessments and Liens	B-10	\$ 5,284.83	\$ 5,284.83
Assessment Liens Interest and Costs	B-9	56.31	56.31
Fund Balance	B-1	41,825.75	41,825.75
		<u>47,166.89</u>	<u>47,166.89</u>

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

	Ref.	December 31,	
		2025	2024
<u>LIABILITIES AND RESERVES</u>			
Animal Control Fund:			
Due to Current Fund	A	\$ 70,000.00	\$ 1,200.00
Reserve for Animal Control Expenditures	B-6	101,284.80	104,197.60
		<u>171,284.80</u>	<u>105,397.60</u>
Open Space Trust Fund:			
Reserve for Open Space		488,976.47	475,062.81
Other Trust Funds:			
Due to State of New Jersey:			
Building Surcharge Fees		8,114.00	8,184.00
Reserve for:			
Developers Escrow Deposits Payable		318,257.57	248,554.42
Unemployment Compensation Insurance		174,992.09	158,677.58
Redemption for Outside Liens		142,922.39	25,831.49
Recreation		88,981.33	124,915.30
Parking Offense Adjudication Act		88.00	74.00
Premiums on Tax Sale		1,872,400.00	2,368,800.00
M.A.C. Donations		8,660.27	8,660.27
Fire Prevention Penalties		122,078.72	103,443.72
Stream Clear Signs		4,875.58	4,875.58
Public Defender Fees		5,820.90	4,258.90
Senior Citizens Center		4,286.21	9,267.93
Compensated Absences		535,309.61	600,274.76
Small Cities Housing		1,733.00	1,733.00
Storm Recovery		1,110,810.91	937,529.09
Council on Affordable Housing		604,382.22	549,992.26
Developers Bonds		188,693.93	141,508.63
Barry Lakes Dam #1		5,821.73	5,670.23
Barry Lakes Dam #2		5,677.15	5,529.41
Police Donations		9,362.00	9,362.00
Net Payroll and Payroll Deductions		9,748.62	9,985.40
Flexible Spending Trust		8,803.59	8,653.19
Animal Control Donations		27,201.70	29,296.15
		<u>5,259,021.52</u>	<u>5,365,077.31</u>

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

		December 31,	
	Ref.	2025	2024
<u>LIABILITIES AND RESERVES</u>			
Lake Community Property Owner's Association Dam #1 Trust Fund:			
Due to Lake Community Property Owners Association:			
Accrued Interest - Future Years	\$	10,129.44	\$ 13,035.49
Due to LCPOA Escrow		5,440.26	5,440.26
New Jersey Department of Environmental Protection			
Loan Payable - Future Years		132,209.97	149,638.12
LCPOA Overpayments		50.13	
		147,829.80	168,113.87
Lake Community Property Owner's Association Dam #2 Trust Fund:			
Due to Lake Community Property Owners Association:			
Accrued Interest - Future Years		28,562.05	33,652.68
Due to LCPOA Escrow		12,207.99	12,207.99
New Jersey Department of Environmental Protection			
Loan Payable - Future Years		240,013.64	259,338.98
LCPOA Overpayments		3,493.76	
		284,277.44	305,199.65
<u>TOTAL LIABILITIES AND RESERVES</u>		\$ 6,398,556.92	\$ 6,466,018.13

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

	<u>Ref.</u>	<u>Total</u>	<u>Road Assessment</u>
Balance December 31, 2024	B	<u>\$ 41,825.75</u>	<u>\$ 41,825.75</u>
Balance December 31, 2025	B	<u>\$ 41,825.75</u>	<u>\$ 41,825.75</u>

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

TOWNSHIP OF VERNON  
ASSESSMENT TRUST FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2025

NOT APPLICABLE

ASSESSMENT TRUST FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2025

NOT APPLICABLE

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

TOWNSHIP OF VERNON  
COUNTY OF SUSSEX  
2025  
GENERAL CAPITAL FUND

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

	<u>Ref.</u>	<u>December 31,</u>	
		<u>2025</u>	<u>2024</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 5,146,110.47	\$ 3,246,356.69
Due from Current Fund	A	2,220.81	111,820.93
Due from Federal and State Grant Fund	A		551,555.00
Due from VTUUA - Shared Capital		42,500.00	42,500.00
State and Federal Grants Receivable		3,772,988.50	3,558,702.50
NJIB Loan Receivable		285,027.00	911,009.00
Deferred Charges to Future Taxation:			
Funded		15,471,924.00	17,621,924.00
Unfunded	C-4	15,198,119.00	13,263,119.00
<u>TOTAL ASSETS</u>		<u>\$ 39,918,889.78</u>	<u>\$ 39,306,987.12</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 13,375,000.00	\$ 15,525,000.00
NJIB Note Payable:			
Construction Financing Loan	C-9	2,096,924.00	2,096,924.00
Bond Anticipation Notes Payable	C-7	10,788,000.00	6,265,000.00
Improvement Authorizations:			
Funded	C-5	5,981,457.26	7,012,227.50
Unfunded	C-5	6,510,014.03	7,615,316.83
Capital Improvement Fund	C-6	54,071.26	160,285.26
Reserve for:			
Payment of Debt Service			13,616.43
Payment of Debt Service - Gas Pumps VTSD		565.40	565.40
Sewer Lift Station Repairs		158,472.00	158,472.00
Police Department		21,000.00	58,000.00
Fire Department		247,000.00	45,000.00
Public Works		433,000.00	227,450.00
Animal Control Improvements		7,000.00	
Emergency Services Improvements		37,500.00	
Down Payment on Bandshell		15,000.00	15,000.00
Acquisition of Municipal SUV's & Trucks		54,149.51	72,766.09
Acquisition of Municipal Computer Equipment		6,983.91	13,039.04
Fund Balance	C-1	132,752.41	28,324.57
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$ 39,918,889.78</u>	<u>\$ 39,306,987.12</u>

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

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

	<u>Ref.</u>	
Balance December 31, 2024	C	\$ 28,324.57
Increased by:		
Premium on Sale of Bond Anticipation Notes		<u>104,427.84</u>
Balance December 31, 2025	C	<u><u>\$ 132,752.41</u></u>

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

TOWNSHIP OF VERNON  
COUNTY OF SUSSEX  
2025  
GENERAL FIXED ASSETS ACCOUNT GROUP

TOWNSHIP OF VERNON  
GENERAL FIXED ASSETS ACCOUNT GROUP  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2025	2024
<u>ASSETS</u>		
Land and Land Improvements	\$ 12,504,331.65	\$ 12,504,331.65
Buildings and Building Improvements	2,779,668.61	2,779,668.61
Machinery and Equipment	19,160,150.28	17,788,183.34
	\$ 34,444,150.54	\$ 33,072,183.60
<u>TOTAL ASSETS</u>	<u>\$ 34,444,150.54</u>	<u>\$ 33,072,183.60</u>
<u>RESERVES</u>		
Reserve for General Fixed Assets	\$ 34,444,150.54	\$ 33,072,183.60
	\$ 34,444,150.54	\$ 33,072,183.60
<u>TOTAL RESERVES</u>	<u>\$ 34,444,150.54</u>	<u>\$ 33,072,183.60</u>

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

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

Governmental Accounting Standards Board ("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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. 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 practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Vernon accounts for its financial transactions through the following separate funds:

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

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

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

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

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

C. Basis of Accounting

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

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

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

The more significant accounting policies in New Jersey follow.

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

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

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

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

Had the Township's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when awarded; inventories would not be reflected as expenditures at the time of purchase; investments would generally be stated at fair value; and the Township's net OPEB liability and net pension liability and related deferred inflows and outflows, where applicable, would be recorded.

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

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(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, by collecting a grant, by selling bonds, by loans, or by financed purchases 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.

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

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

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

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

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

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

General Fixed Assets Account Group – In accordance with New Jersey Administrative Code accounting requirements, as promulgated by the Division of Local Government Services, the Township has developed a fixed assets accounting and reporting system based on the following:

General fixed assets are recorded at cost, except for land and buildings, which are recorded at estimated historical cost. 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.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

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

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

General Fixed Assets Account Group (Cont'd) – The total value recorded for general fixed assets is offset by a "Reserve for General Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund and General Capital Fund. The values recorded in the General Fixed Asset Account Group and the Current and General Capital Funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Fixed assets are reviewed for impairment.

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

Note 2: Long-Term Debt

Summary of Municipal Debt

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

	December 31,		
	2025	2024	2023
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 26,259,924.00	\$ 23,886,924.00	\$ 26,547,924.00
Debt Guaranteed by the Township	372,223.61	408,977.10	445,006.39
Total Debt Issued	<u>26,632,147.61</u>	<u>24,295,901.10</u>	<u>26,992,930.39</u>
Less - Funds Temporarily Held to Pay			
Bonds, Notes and Loans:			
Reserve to Pay Debt Service	565.40	14,181.83	14,181.83
Loans Issued by Another Entity			
to be Guaranteed by the Township	372,223.61	408,977.10	445,006.39
Total Deductions	<u>372,789.01</u>	<u>423,158.93</u>	<u>459,188.22</u>
Net Issued	<u>26,259,358.60</u>	<u>23,872,742.17</u>	<u>26,533,742.17</u>

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

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

Summary of Municipal Debt (Cont'd)

	December 31,		
	<u>2025</u>	<u>2024</u>	<u>2023</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	\$ 4,410,119.00	\$ 6,998,119.00	\$ 4,165,119.00
Total Authorized but not Issued	<u>4,410,119.00</u>	<u>6,998,119.00</u>	<u>4,165,119.00</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 30,669,477.60</u>	<u>\$ 30,870,861.17</u>	<u>\$ 30,698,861.17</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 0.809%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 1,500,000.00	\$ 1,500,000.00	
General Debt	<u>31,042,266.61</u>	<u>372,789.01</u>	<u>\$ 30,669,477.60</u>
	<u>\$ 32,542,266.61</u>	<u>\$ 1,872,789.01</u>	<u>\$ 30,669,477.60</u>

Net Debt of \$30,669,477.60 divided by Equalized Valuation Basis Per N.J.S. 40A:2-2 as Amended, \$3,789,849,571.67= 0.809%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 132,644,735.01
Net Debt	<u>30,669,477.60</u>
Remaining Borrowing Power	<u>\$ 101,975,257.41</u>

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

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

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

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

	<u>Balance</u> <u>12/31/2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2025</u>
Serial Bonds:				
General Capital Fund	\$ 15,525,000.00		\$ 2,150,000.00	\$ 13,375,000.00
Loans Payable:				
General Capital Fund:				
NJIB Construction Loan	2,096,924.00			2,096,924.00
Bond Anticipation Notes:				
General Capital Fund	<u>6,265,000.00</u>	<u>\$ 10,788,000.00</u>	<u>6,265,000.00</u>	<u>10,788,000.00</u>
Total	<u>\$ 23,886,924.00</u>	<u>\$ 10,788,000.00</u>	<u>\$ 8,415,000.00</u>	<u>\$ 26,259,924.00</u>
	<u>Balance</u> <u>12/31/2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2024</u>
Serial Bonds:				
General Capital Fund	\$ 17,630,000.00		\$ 2,105,000.00	\$ 15,525,000.00
Loans Payable:				
General Capital Fund:				
NJIB Construction Loan	2,096,924.00			2,096,924.00
Bond Anticipation Notes:				
General Capital Fund	<u>6,821,000.00</u>	<u>\$ 6,265,000.00</u>	<u>6,821,000.00</u>	<u>6,265,000.00</u>
Total	<u>\$ 26,547,924.00</u>	<u>\$ 6,265,000.00</u>	<u>\$ 8,926,000.00</u>	<u>\$ 23,886,924.00</u>

Analysis of Debt Issued and Outstanding at December 31, 2025

General Capital Serial Bonds Payable

<u>Description</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2025</u>
General Refunding Bonds of 2020 Improvement to Sanitary Sewage System	01/01/26	4.00%	\$ 1,105,000.00
Refunding Bonds of 2020	01/01/33	1.363-2.279%	1,540,000.00
General Bonds of 2021	03/01/36	2.00-4.00%	<u>10,730,000.00</u>
			<u>\$ 13,375,000.00</u>

General Capital NJIB Construction Loan Payable

<u>Description</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2025</u>
NJIB Loan - Ord. 18-16 & 22-05	6/30/2026	0.00%	<u>\$ 2,096,924.00</u>

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

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

Analysis of Debt Issued and Outstanding at December 31, 2025 (Cont'd)

General Capital Bond Anticipation Notes Payable

Description	Final Maturity	Interest Rate	Balance Dec. 31, 2025
Various Capital Improvements	08/21/26	3.750%	\$ 1,804,000.00
Various Capital Improvements	08/21/26	3.750%	1,130,000.00
Acquisition of a New Fire Truck	08/21/26	3.750%	124,000.00
Various Capital Improvements	08/21/26	3.750%	1,290,000.00
Various Capital Improvements	08/21/26	3.750%	2,432,000.00
Various Capital Improvements	08/21/26	3.750%	2,220,000.00
Acquisition of New Equipment	08/21/26	3.750%	513,000.00
Various Capital Improvements	08/21/26	3.750%	1,275,000.00
			<u>\$ 10,788,000.00</u>
Total Debt Issued and Outstanding			<u>\$ 26,259,924.00</u>

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

Year	General		Total
	Principal	Interest	
2026	\$ 2,195,000.00	\$ 329,666.55	\$ 2,524,666.55
2027	1,105,000.00	268,984.58	1,373,984.58
2028	1,115,000.00	229,154.76	1,344,154.76
2029	1,130,000.00	188,246.23	1,318,246.23
2030	1,145,000.00	151,411.65	1,296,411.65
2031-2035	5,610,000.00	383,332.02	5,993,332.02
2036	1,075,000.00	10,750.00	1,085,750.00
	<u>\$ 13,375,000.00</u>	<u>\$ 1,561,545.79</u>	<u>\$ 14,936,545.79</u>

N.J. Infrastructure Bank (NJIB) Construction Financing Loan Payable

The Township entered into a loan agreement with the State of New Jersey, acting by and through the N.J. Department of Environmental Protection (NJDEP) and New Jersey Infrastructure Bank (NJIB) which is recorded in the General Capital Fund. The loan agreement was obtained to finance a portion of the cost of its sanitary sewerage system.

As of December 31, 2025, the Township has borrowed or "drawn down" \$1,811,897 of the \$2,096,924 Loan funds necessary to complete the improvements to the sanitary sewerage system. Principal payment to the NJIB for the loan will be due on June 30, 2026 at zero interest. The NJIB provided funding for this loan through the issuance of temporary notes through the Construction Financing Trust Loan Program. A permanent loan will be issued when the qualifying project is completed.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

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

Guaranteed Debt – Barry Lakes Dam Rehabilitation #1

The Lake Community Property Owners Association #1 (“LCPOA #1”) is a not for profit corporation organized and existing under the laws of the State of New Jersey and is the owner of a dam that was determined to be in need of repair, improvement and rehabilitation in order to bring the dam into compliance with the applicable standards established by the State of New Jersey, the Department of Environmental Protection (“NJDEP”).

In 2009, LCPOA #1 entered into a loan agreement with the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection to finance the cost of the dam rehabilitation project. By the completion of the project in 2015, LCPOA #1 had borrowed or “drawn down” \$299,000.00 of NJDEP loan funds. Principal repayments to NJDEP commenced on December 27, 2015 on a semiannual basis and will continue until December 27, 2032 at two percent interest.

As required by NJDEP regulations, N.J.A.C. 7:24A1-1 et seq., the Township of Vernon entered into a co-borrower agreement with LCPOA #1 as a guarantor of the NJDEP loan. As a result of this guarantee, the Township of Vernon is contingently liable should LCPOA #1 fail to meet their obligations to NJDEP. As of December 31, 2025, the balance of the guaranteed loan is \$132,209.97.

Guaranteed Debt – Barry Lakes Dam Rehabilitation #2

The Lake Community Property Owners Association #2 (“LCPOA #2”) is a not for profit corporation organized and existing under the laws of the State of New Jersey and is the owner of a dam that was determined to be in need of repair, improvement and rehabilitation in order to bring the dam into compliance with the applicable standards established by the State of New Jersey, the Department of Environmental Protection (“NJDEP”).

In 2018, LCPOA #2 entered into a loan agreement with the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection to finance the cost of the dam rehabilitation project. By the end of 2018, LCPOA #2 had borrowed or “drawn down” \$376,000 of NJDEP loan funds. Principal repayments to NJDEP commenced on August 8, 2018 on a semiannual basis and will continue until August 8, 2036 at two percent interest.

As required by NJDEP regulations, N.J.A.C. 7:24A1-1 et seq., the Township of Vernon entered into a co-borrower agreement with LCPOA #2 as a guarantor of the NJDEP loan. As a result of this guarantee, the Township of Vernon is contingently liable should LCPOA #2 fail to meet their obligations to NJDEP. As of December 31, 2025, the balance of the guaranteed loan is \$240,013.64.

Note 3: Fund Balances Appropriated

Fund balance at December 31, 2025, which is appropriated and included in the Current Fund introduced budget for the year ending December 31, 2026, is \$1,650,000.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 4: Local School District Taxes

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

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

Note 5: Pension Plans

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

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's annual financial statements which can be found at [www.nj.gov/treasury/pensions/annual-reports.shtml](http://www.nj.gov/treasury/pensions/annual-reports.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

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

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2024, the State's pension contribution was more than the actuarially determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment and any such amounts were not included in their unfunded liability. The actuaries have determined the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and is adjusted by the rate of return on the actuarial value of assets.

Township contributions to PERS amounted to \$702,341 for 2025. During the fiscal year ended June 30, 2024, the State of New Jersey contributed \$22,611 to the PERS for normal pension expense on behalf of the Township.

The employee contribution rate was 7.50% effective July 1, 2018.

Special Funding Situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under the legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under the legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows of resources to report in the financial statements of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense as well as revenue associated with the employers in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense

At June 30, 2024, the Township's liability was \$7,013,441 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2024, the Township's proportion was .0516%, which was a decrease of 0.0015% from its proportion measured as of June 30, 2023. The Township has rolled forward the net pension liability as of June 30, 2024 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities and counties to include the June 30, 2024 information in the Notes to the Financial Statements as the June 30, 2025 information has not been released as of the date of this audit.

There was no state proportionate share of net pension liability attributable to the Township as of June 30, 2024.

For the year ended December 31, 2025, the Township recognized actual pension expense in the amount of \$702,341.

Actuarial Assumptions

The collective total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75 – 6.55% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.63%
Non-U.S. Developed Market Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

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

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

The following presents the Township's proportionate share of the collective net pension liability as of June 30, 2024 calculated using the discount rate as disclosed below, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	June 30, 2024		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Township's proportionate share of the Net Pension Liability	\$ 9,319,139	\$ 7,013,441	\$ 5,051,305

Pension Plan Fiduciary Net Position

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

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

Plan Description

The State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PFRS, please refer to the Division's annual financial statements which can be found at [www.nj.gov/treasury/pensions/annual-reports.shtml](http://www.nj.gov/treasury/pensions/annual-reports.shtml).

Benefits Provided

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

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

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

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal costs and unfunded accrued liability. For fiscal year 2024, the State contributed more than the actuarially determined amount.

The Local Group employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for employers in the Local Group of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment and any such amounts were not included in their unfunded liability. The actuaries have determined the unfunded liability, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and is adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

Township contributions to PFRS amounted to \$1,394,868 for the year ended December 31, 2025. During the fiscal year ended June 30, 2024, the State of New Jersey contributed \$236,179 to the PFRS for normal pension expense on behalf of the Township, which is the same as the contractually required contribution of \$236,179.

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

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense

At June 30, 2024, the Township’s liability for its proportionate share of the net pension liability was \$10,413,413. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. The Township 's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2024, the Township's proportion was 0.10084%, which was a decrease of .00423% from its proportion measured as of June 30, 2023. The Township has rolled forward the net pension liability as of June 30, 2024 with no adjustments. The State of New Jersey Police and Firemen’s Retirement System (PFRS)’ valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities and counties to include the June 30, 2024 information in the Notes to the Financial Statements as the June 30, 2025 information has not been released as of the date of this audit.

Additionally, the State’s proportionate share of the net pension liability attributable to the Township is \$2,052,982 as of June 30, 2024. The net pension liability was measured as of July 1, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. The State's proportionate share of the net pension liability associated with the Township was based on a projection of the Township 's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2024, the State's proportion was 0.10084%, which was a decrease of .00423% from its proportion measured as of June 30, 2023 which is the same proportion as the Township’s.

Township's Proportionate Share of the Net Pension Liability	\$ 10,413,413
State's Proportionate Share of the Net Pension Liability Associated with the Township	<u>2,052,982</u>
Total Net Pension Liability	<u><u>\$ 12,466,395</u></u>

For the year ended December 31, 2025, the Township recognized total pension expense of \$1,394,868.

Actuarial Assumptions

The collective total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023 which was rolled forward to June 30, 2024. This actuarial valuation used the following actuarial assumptions:

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	3.25% - 16.25% based on years of service
Investment Rate of Return	7.00%

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

Employee mortality rates were based on the Pub-2010 Safety Employee amount-weighted mortality table (sex specific) projected generationally from 2010 with Scale MP-2021 mortality projection. For healthy annuitants, mortality rates were based on the Pub-2010 Safety Retiree Below Median amount-weighted mortality table (sex-specific), projected generationally from 2010 with Scale MP-2021 mortality projection. Disability rates were 144% of the Pub-2010 Safety Disabled Retiree amount-weighted mortality table for males and 100% of the Pub-2010 Safety Disabled Retiree amount-weighted mortality table for females, projected generationally from 2010 with Scale MP-2021 mortality projection.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2024) is determined by the State Treasurer, after consultation with the PFRS Board of Trustees, the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Large-Cap Equity	24.00%	6.90%
U.S. Small/Mid Cap Equity	4.00%	7.40%
Non-U.S. Developed Large-Cap Equity	9.50%	6.70%
Non-U.S. Developed Small Cap Equity	2.00%	7.50%
Emerging Markets Large-Cap Equity	6.00%	9.60%
Emerging Markets Small-Cap Equity	1.50%	9.60%
U.S. Treasury Bond	7.00%	4.10%
U.S. Corporate Bond	5.00%	5.90%
U.S. Mortgage-Backed Securities	5.00%	4.40%
Global Multisector Fixed Income	6.00%	6.50%
Cash	2.00%	3.40%
Real Estate Core	3.00%	5.10%
Real Estate Non-Core	4.00%	6.50%
Infrastructure	3.00%	7.00%
Private Debt/Credit	8.00%	9.10%
Private Equity	10.00%	10.10%

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the employers in the State Group and 100% of actuarially determined contributions for the employers in the Local Group. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

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

The following presents the total net pension liability (including the State’s proportionate share of the net pension liability attributable to the Township) as of June 30, 2024 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2024		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Township's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Township	\$ 17,811,705	\$ 12,466,395	\$ 8,014,923

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

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 5: Pension Plans (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Township recognized pension expense of \$3,250.84 for the year ended December 31, 2025. Employee contributions to DCRP amounted to \$4,414.75 for the year ended December 31, 2025.

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. 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 Compensated Absences of \$535,309.61 on the Trust Fund balance sheet at December 31, 2025.

Balance at December 31, 2024	\$ 788,718.14
Net Change	<u>(60,776.00)</u>
Balance at December 31, 2025	<u>\$ 727,942.14</u>
Amount Due within One Year	<u>\$ -0-</u>

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 January 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 7: Selected Tax Information (Cont'd)

Comparative Schedule of Tax Rate Information

	2025	2024	2023
<u>Tax Rate</u>	\$ 2.345	\$ 2.441	\$ 2.593
<u>Apportionment of Tax Rate</u>			
Municipal	.538	.555	.612
County	.440	.477	.519
Local School	1.367	1.409	1.462
<u>Assessed Valuations</u>			
2025	\$ 3,744,728,012.00		
2024		\$ 3,399,886,912.00	
2023			\$ 3,099,995,708.00

Comparison of Tax Levies and Collection

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2025	\$ 87,904,191.04	\$ 85,293,487.67	97.03%
2024	83,126,826.97	80,525,423.78	96.87%
2023	80,500,063.71	77,825,912.34	96.67%

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. 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 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.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

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

Credit Risk – The Township limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed in the section of this Note on investments.

Custodial Credit Risk – The Township’s policy with respect to custodial credit risk requires that the Township ensures that Township funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

Deposits

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

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

The market value of the collateral must equal 5% of the average daily balance of public funds; and in addition. If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law” P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

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

Investments (Cont'd)

- (6) Local government investments pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
  - (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 section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2025, cash and cash equivalents and investments of the Township of Vernon consisted of the following:

Fund	Cash on Hand	Checking Accounts	Investments Certificates of Deposits	Totals
Current	\$ 870.00	\$ 11,324,462.72		\$ 11,325,332.72
Assessment Trust		41,825.75		41,825.75
Animal Control		171,284.80		171,284.80
Other Trust		4,416,088.79	\$ 15,000.00	4,431,088.79
Open Space Trust		452,684.95		452,684.95
LCPOA Lake Trust #1		147,829.80		147,829.80
LCPOA Lake Trust #2		284,277.44		284,277.44
General Capital		5,146,110.47		5,146,110.47
	<u>\$ 870.00</u>	<u>\$ 21,984,564.72</u>	<u>\$ 15,000.00</u>	<u>\$ 22,000,434.72</u>

The Township has \$15,000.00 of investments in the form of certificates of deposits as of the year ended December 31, 2025. The carrying amount of the Township's cash and cash equivalents and investments at year end was \$22,000,434.72 and the bank balance was \$20,569,744.91.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 9: Risk Management

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

The following coverages are obtained through a commercial policy:

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

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

As a member of this Fund, the Township could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund’s liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. The members may either receive payment or offset their subsequent year assessments with their respective share of the distribution.

The December 31, 2025 audit report was not available as of the date of this report. Selected, summarized financial information for the Fund as of December 31, 2024 is as follows:

Total Assets	\$ 52,029,337
Net Position	\$ 6,502,450
Total Revenue	\$ 38,819,002
Total Expenses	\$ 44,169,063
Change in Net Position	\$ (5,350,061)
Members Dividends	\$ -0-

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

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

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 9: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State. The following is a summary of Township and employee contributions, interest earned and reimbursements to the State for benefits paid and the ending balance of the Township's expendable trust fund for the current and previous two years.

<u>Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earned</u>	<u>Claims/ Reimbursed</u>	<u>Ending Balance</u>
2025	\$ -0-	\$ 14,727.91	\$ 4,291.93	\$ 2,705.33	\$ 174,992.09
2024	-0-	14,158.65	4,846.00	29,223.53	158,677.58
2023	-0-	17,475.13	4,805.62	-0-	168,896.46

Note 10: Contingencies

The Township is periodically involved in various other lawsuits arising in the normal course of business, which often include claims for property damage, personal injury, tax appeals, constitutional rights, civil rights and various contract disputes. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Township's financial position as of December 31, 2025.

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

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

Various tax appeals on assessed valuations have been filed against the Township and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Township's Tax Assessor will aggressively defend the Township's assessments. The Township has established a reserve in the amount of \$665,716.28 so as to provide for the full amount of this contingency.

Under a developer's agreement with the Township, the Mountain Creek Resort, Inc. ("MCRI") is responsible to reimburse the Township, on an annual basis, the debt service payments related to the debt issued for the improvement to the sanitary sewerage system for the 2008 "Vernon Sewer Bonds", which is approximately \$160,000 to \$258,000 annually.

The MCRI is also responsible for 63% of the Vernon Township Municipal Utility Authority's ("VTMUA") annual budget deficit which includes the annual capital and debt service payments made to Sussex County Municipal Utilities Authority ("SCMUA") in connection with the expansion of the wastewater system for the Township's Town Center and MCRI's property. The annual debt service due to the SCMUA is approximately \$700,000 to \$1,525,000.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 10: Contingencies (Cont'd)

In addition, the MCRI is responsible for all costs related to the construction of the Sand Hill Road sewerage pump stations in order to provide an adequate flow to the Town Center and MCRI's property and also for VTMUA to meet the minimum guaranteed flow established by the SCMUA. As of December 31, 2025, MCRI was still in the process of making the required improvements to the pump station. The estimated construction cost is \$2,100,000.00.

Note 11: Interfund Receivables and Payables

The following interfund balances remained on the various balance sheets at December 31, 2025:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 70,000.00	\$ 973,419.68
Federal and State Grant Fund	106,974.62	
Animal Control Fund		70,000.00
Other Trust Funds	864,224.25	
General Capital Fund	2,220.81	
	\$ 1,043,419.68	\$ 1,043,419.68

The interfund receivable in the Current Fund represents an appropriation refund due from the Animal Control Fund. The interfund receivable in the Federal and State Grant Fund represents grant receipts collected by the Current Fund; net of grant expenditures paid by the Current Fund. The interfund receivable in the Other Trust Fund represents appropriation reserve transfers due to the Reserve for Storm Recovery and a portion of the hotel occupancy revenue collected in the Current Fund due to the Open Space Trust Fund. The interfund receivable in the General Capital Fund represents budgeted appropriations due from the Current Fund; offset by cash disbursed by the Current Fund on behalf of the General Capital Fund.

Note 12: Fixed Assets

The following is a summarization of general fixed assets for the years ended December 31, 2025 and 2024:

	Balance Dec. 31, 2024	Additions	Deletions/ Adjustments	Balance Dec. 31, 2025
Land & Land Improvements	\$ 12,504,331.65			\$ 12,504,331.65
Buildings & Building Improvements	2,779,668.61			2,779,668.61
Machinery and Equipment	17,788,183.34	\$ 1,902,594.23	\$ 530,627.29	19,160,150.28
	\$ 33,072,183.60	\$ 1,902,594.23	\$ 530,627.29	\$ 34,444,150.54
	Balance Dec. 31, 2023	Additions/ Adjustments	Deletions	Balance Dec. 31, 2024
Land & Land Improvements	\$ 12,504,331.65			\$ 12,504,331.65
Buildings & Building Improvements	2,779,668.61			2,779,668.61
Machinery and Equipment	16,065,484.46	\$ 2,480,248.99	\$ 757,550.11	17,788,183.34
	\$ 31,349,484.72	\$ 2,480,248.99	\$ 757,550.11	\$ 33,072,183.60

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 13: Economic Dependency

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

Note 14: Deferred Compensation

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

Note 15: Related Parties Transactions

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

Note 16: Post Retirement Benefits Other Than Pensions (OPEB)

General Information about the Township's OPEB Plan

Plan Description and Benefits Provided

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

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

1. Bargaining Unit Employees
  - A. New Jersey State Policemen's Benevolent Association Local No. 285

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

1. Officers who were hired prior to January 1, 1999 who retire within the meaning of the PFRS (Police and Firemen's Retirement System) shall receive health benefits paid for by the Township of Vernon (the "Township") for themselves and eligible dependents at the same level of benefits, including co-pays and other out-of-pocket limits that were in effect as of the date immediately preceding retirement. For all retirees who are eligible for medical benefits, Medicare shall become primary for the retiree and the Township insurance secondary when the retiree is eligible for Medicare. The Township's insurance benefits shall become secondary for a retiree when he/she becomes Medicare eligible and for the retiree's eligible dependent when the dependent becomes Medicare eligible. If the Township's insurance plan requires participation in Medicare Advantage coverage, there shall be no secondary coverage through the Township's plan and the Township shall pay the premium for Medicare Advantage for the retiree and his/her eligible dependents. The Township's obligation to provide secondary coverage shall stop after 5 years from the date of Medicare eligibility for employees hired on or after January 1, 2020. In addition, the Township shall not be obligated to pay the premium for Medicare or Medicare Advantage, whichever is applicable, for employees hired on or after January 1, 2020.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 16: Post Retirement Benefits Other Than Pensions (OPEB) (Cont'd)

General Information about the Township's OPEB Plan (Cont'd)

1. Bargaining Unit Employees (Cont'd)

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

2. Officers who were hired on or after January 1, 1999 who retire within the meaning of the PFRS and have at least 15 years of full time service to the Township shall receive health benefits paid for by the Township for themselves and eligible dependents at the same level of benefits, including co-pays and other out-of-pocket limits, that were in effect as of the date immediately preceding retirement. For all retirees who are eligible for medical benefits, Medicare shall become primary for the retiree and the Township insurance secondary when the retiree is eligible for Medicare. The Township's insurance benefits shall become secondary for a retiree when he/she becomes Medicare eligible and for the retiree's eligible dependent when the dependent becomes Medicare eligible. If the Township's insurance plan requires participation in Medicare Advantage coverage, there shall be no secondary coverage through the Township's plan and the Township shall pay the premium for Medicare Advantage for the retiree and his/her eligible dependents. The Township's obligation to provide secondary coverage shall stop after 5 years from the date of Medicare eligibility for employees hired on or after January 1, 2020. In addition, the Township shall not be obligated to pay the premium for Medicare or Medicare Advantage, whichever is applicable, for employees hired on or after January 1, 2020.
3. Officers who were hired on or after January 1, 2016 who retire within the meaning of the PFRS and have at least 20 years of full time service to the Township shall receive health benefits paid for by the Township for themselves and eligible dependents at the same level of benefits, including co-pays and other out-of-pocket limits, that were in effect as of the date immediately preceding retirement. For all retirees who are eligible for medical benefits, Medicare shall become primary for the retiree and the Township insurance secondary when the retiree is eligible for Medicare. The Township's insurance benefits shall become secondary for a retiree when he/she becomes Medicare eligible and for the retiree's eligible dependent when the dependent becomes Medicare eligible. If the Township's insurance plan requires participation in Medicare Advantage coverage, there shall be no secondary coverage through the Township's plan and the Township shall pay the premium for Medicare Advantage for the retiree and his/her eligible dependents. The Township's obligation to provide secondary coverage shall stop after 5 years from the date of Medicare eligibility for employees hired on or after January 1, 2020. If the Township's insurance plan requires participation in Medicare Advantage coverage, there shall be no secondary coverage through the Township's plan and the Township shall pay the premium for Medicare Advantage for the retiree and his/her eligible dependents. In addition, the Township shall not be obligated to pay the premium for Medicare or Medicare Advantage, whichever is applicable, for employees hired on or after January 1, 2020.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
 (Continued)

Note 16: Post Retirement Benefits Other Than Pensions (OPEB) (Cont'd)

General Information about the Township's OPEB Plan (Cont'd)

1. Bargaining Unit Employees (Cont'd)

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

4. 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 Medicare eligibility, whichever occurs first. The provisions listed above regarding primary/secondary coverage and Medicare and Medicare Advantage shall apply to a surviving spouse of a retiree who becomes Medicare eligible. This shall also apply to retirees who have retired prior to January 1, 2020.
5. After retirement, no new dependents may be added to the retiree'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.
6. A retired Police Officer may apply not to be covered for medical insurance under the Township's insurance plan in exchange for cash payment equal to one-half (1/2) of the savings on the costs to the Township for providing coverage to said employee for one year. The Police Officer may not, thereafter, apply to rejoin the Township insurance plan.

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

1. Individuals employed by the Township of Vernon (the "Township") as of December 31, 2011, who retire within the meaning of PERS (Public Employees' Retirement System) and who have served in a full time capacity in Vernon Township for at least 20 years, shall be entitled to receive health benefits after retirement up until they reach the age of 65 with coverage equal to that of an active duty employee. When the retiree reaches the age of sixty-five (65), the Township shall provide the retiree with a supplemental integrated coverage policy which shall be secondary to the retiree's Medicare coverage, provided that the total available coverage is equal to that of an active duty employee.
2. Upon the death of a retired employee who was employed by the Township as of December 31, 2011, coverage will be continued for his or her spouse or same or opposite sex domestic partner, provided that the employee was married or domestically partnered at the time of his or her retirement, and will be continued for his or her dependent children, provided the children were designated as dependents at the time of the employee's retirement, until the death, remarriage or re-partnering of the spouse or partner, or until receipt of other coverage by that spouse or partner, or until the spouse or partner reaches the age of sixty-five (65), whichever occurs first.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 16: Post Retirement Benefits Other Than Pensions (OPEB) (Cont'd)

General Information about the Township's OPEB Plan (Cont'd)

1. Bargaining Unit Employees (Cont'd)

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

3. For employees commencing employment with the Township on or after January 1, 2010, upon retirement as defined by PERS:

- i. The employee will continue to receive single health insurance paid for by the Township up to age 65;
- ii. The Township will provide coverage for the employee's spouses and/or dependents upon contribution by the employee of the current Township Group Rate until the employee is age 65 and to age 26 for dependents;
- iii. Upon age 65/qualification for Medicare, the Township will reimburse the employee in the equivalent to single coverage Basic AARP Medicare Supplemental Insurance until the death of the employee.
- iv. 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 re-partners, the new spouse or domestic partner may receive coverage as provided for in Paragraph 3 or 4 as applicable. However, upon the death of that employee, all coverages for the new spouse or domestic partner will terminate.
- v. A retired employee may opt out of being covered for medical insurance under the Township's insurance plan in exchange for a cash payment equal to one-half of the savings on the costs to the Township for providing coverage to said employee for one year. The employee may not, thereafter, apply to rejoin the Township insurance plan.

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

1. For employees who were employed with the Township as of December 31, 2009, and who retire within the meaning of PERS (Public Employees' Retirement System) and who served in a full-time capacity with the Township for at least 20 years shall be entitled to receive health benefits after retirement until they reach the age of 65 with coverage equal to that of an active duty employee. When the retiree reaches the age of 65, the Township shall provide the retiree with a supplemental integrated coverage policy which shall be secondary to the retiree's Medicare coverage, provided that the total available coverage is equal to that of an active duty employee.

Upon the death of the retired employee, coverage will be continued for their spouse, provided that the employee was married to the spouse at the time of their retirement, and will be continued for their dependent children, provided the children were designated as dependent at the time of their retirement or until the death or remarriage of the spouse, or until the receipt of other coverage by that spouse or until the spouse reaches age sixty five (65) whichever occurs first.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 16: Post Retirement Benefits Other Than Pensions (OPEB) (Cont'd)

General Information about the Township's OPEB Plan (Cont'd)

1. Bargaining Unit Employees (Cont'd)

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

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

2. Non-Bargaining Unit Employees

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

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

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

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

Contribution

There is currently no provision under State statute for the Township to accrue funds, create a trust or issue debt to finance their OPEB liability.

The Township's portion of post-retirement benefits is funded on a pay-as-you-go basis from the Current Fund operating budget.

During 2025, 2024 and 2023, the Township had approximately 176, 176 and 176 employees and retirees, respectively, who met eligibility requirements and recognized expenses of approximately \$1,315,938, \$1,203,397 and \$1,186,046 in 2025, 2024 and 2023, respectively.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 16: Post Retirement Benefits Other Than Pensions (OPEB) (Cont'd)

General Information about the Township's OPEB Plan (Cont'd)

Employees Covered by Benefit Terms

As of December 31, 2025, there was a total of 176 eligible employees and retirees, reflecting the sum of 101 active employees and 75 retirees and surviving spouses.

Total OPEB Liability

The Township's OPEB liability of \$49,807,617 was measured as of December 31, 2025 and was determined by an actuarial valuation as of December 31, 2025.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.83%
Salary Increases	2.50%
Inflation Assumptions	2.50%

The discount rate was revised from 4.08% in the previous actuarial valuation to 4.83% at December 31, 2025.

The selected discount rate was based on the Bond Buyer 20 Bond GO Index, which represents the average of certain general obligation municipal funds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA as of the measurement date.

Health Care Trend Rates	Year	Medical	Prescription Drug
Year 2 Trend	2025	7.50%	12.75%
Year 3 Trend	2026	7.00%	12.25%
Year 4 Trend	2027	6.50%	11.25%
Year 5 Trend	2028	6.00%	10.00%
Ultimate Trend	2033 & Later	4.50%	N/A
Ultimate Trend	2034 & Later	N/A	4.50%
Grading per Year	from 2028	0.50%	1.00%

Mortality rates were based on PUB 2010 "General" classification headcount weighted mortality with generational improvement using Scale MP-2021.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 16: Post Retirement Benefits Other Than Pensions (OPEB) (Cont'd)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2025	\$ 51,272,351
Changes for Year:	
Service Cost	860,697
Interest Cost	2,100,183
Actuarial Assumption Changes	(3,109,676)
Benefit Payments	(1,315,938)
Net Changes	(1,464,734)
Balance at December 31, 2025	\$ 49,807,617

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Township as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage lower (3.83 percent) or 1 percentage higher (5.83 percent) than the current discount rate:

	December 31, 2025		
	1% Decrease (3.83%)	Discount Rate (4.83%)	1% Increase (5.83%)
	Total OPEB Liability	\$ 55,645,314	\$ 49,807,617

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Township as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage lower or 1 percentage higher than the valuation healthcare cost trend rates:

	December 31, 2025		
	1% Decrease	Valuation Healthcare Trend Rates	1% Decrease
	Total OPEB Liability	\$ 45,753,229	\$ 49,807,617

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended December 31, 2025, the Township's OPEB expense was \$2,773,276 as determined by the actuarial valuation.

TOWNSHIP OF VERNON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

Note 17: Financed Purchases Agreements

The Township has financed purchases agreements for maintenance trucks and emergency service SUVs for police, fire, administration, construction and EMS. The finance purchases agreements are for terms of three to five years. Remaining payments on the leases through 2028 are \$1,084,207.

<u>Year</u>	<u>Amount</u>
2025	\$ 318,481
2026	318,481
2027	318,481
2028	318,481
	<u>1,273,924</u>
Less: Amount representing interest	<u>(189,717)</u>
Present value of net minimum financed purchases payments	<u><u>\$ 1,084,207</u></u>

TOWNSHIP OF VERNON

SUPPLEMENTARY DATA

TOWNSHIP OF VERNON  
OFFICIALS IN OFFICE AND SURETY BONDS  
YEAR ENDED DECEMBER 31, 2025

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

Name	Title	Amount of Bond	Name of Corporate or Personal Surety
Anthony Rossi	Mayor		
Patrick Rizzuto	Council President		
Natalie Buccieri	Councilmember		
William Higgins	Councilmember		
Bradley Sparta	Councilmember		
Jessica DeBenedetto	Councilmember		
Tina Kraus	Business Administrator	*	*
Marcy Gianattasio	Municipal Clerk	*	*
Lisa Kimkowski	Tax Collector	*	*
Donelle Bright (to 02/01/26)	Chief Financial Officer	*	*
Patricia Reiche (from 02/02/26)	Chief Financial Officer	*	*
Peter Laemers	Judge	*	*
Lindsay Palmisano	Court Administrator	*	*
Rachel Nestel	Deputy Court Administrator	*	*
Paul Black	Construction Official	*	*
Daniel B. Young	Police Chief	*	*
Peter King	Attorney		
Douglas Steinhardt	Special Labor Counsel		
Maxwell Smith	Prosecutor		
Kristen Umansky	Tax Assessor	*	*
Mishelle Downtain	Director of Community Affairs	*	*

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

TOWNSHIP OF VERNON  
COUNTY OF SUSSEX  
2025  
CURRENT FUND

TOWNSHIP OF VERNON  
CURRENT FUND  
SCHEDULE OF CASH - TREASURER

	<u>Ref.</u>	
Balance December 31, 2024	A	\$ 12,372,354.26
Increased by Receipts:		
Tax Collector		\$ 87,877,935.70
Revenue Accounts Receivable		8,195,513.97
Due to State of N.J.:		
Veterans and Senior Citizens' Deductions		121,750.00
Marriage License		3,125.00
Nonbudget Revenue		124,532.33
Appropriation Refunds		1,221,599.15
Appropriation Reserve Refunds		11,778.37
Due Federal and State Grant Fund:		
Federal and State Grants Receivable		306,955.70
Unappropriated Grant Reserves		31,911.05
Appropriated Reserves Refunds		1,836.40
Due Animal Control Fund:		
Prior Year Interfund Returned		1,200.00
Due Open Space Trust Fund:		
Allocation of Hotel Occupancy Fee		36,291.52
Reserve for:		
Sale of Municipal Assets		28,509.02
Road Repairs & Maintenance		54,150.84
Maple Grange Turf Field		93,321.04
		<u>98,110,410.09</u>
		110,482,764.35
Decreased by Disbursements:		
2025 Appropriation Expenditures		28,909,136.48
2024 Appropriation Reserves		629,120.34
Due to State of NJ:		
Marriage License		3,325.00
Due Federal and State Grant Fund:		
Appropriated Grant Reserves		286,794.65
Prior Year Interfund Returned		551,555.00
Due General Capital Fund:		
Prior Year Interfund Returned		111,820.93
Expenses Paid on Behalf on General Capital Fund		4,125.00
Due to Other Trust Funds:		
Prior Year Interfund Returned		813,588.89
Local School District Taxes		51,216,913.00
County Taxes		16,444,460.70
Accounts Payable		355.64
Refund of Tax Overpayments		116,388.36
Refund of Prior Year Taxes		67,464.07
Prior Year Encumbrances Liquidated:		
Tax Overpayments		3,253.57
		<u>99,158,301.63</u>
Balance December 31, 2025	A	<u>\$ 11,324,462.72</u>

TOWNSHIP OF VERNON  
CURRENT FUND  
SCHEDULE OF CASH - COLLECTOR  
YEAR ENDED DECEMBER 31, 2025

Increased by Receipts:

Taxes Receivable	\$ 86,332,766.79	
Tax Title Liens Redemption	194,231.76	
2026 Prepaid Taxes	654,577.92	
Interest and Costs on Taxes	421,840.37	
Miscellaneous Revenue Not Anticipated	1,715.00	
Tax Overpayments	272,803.86	
		\$ 87,877,935.70

Decreased by:

Payments to Treasurer		\$ 87,877,935.70
-----------------------	--	------------------

TOWNSHIP OF VERNON  
FEDERAL AND STATE GRANT FUND  
SCHEDULE OF CASH  
YEAR ENDED DECEMBER 31, 2025

NOT APPLICABLE

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

Year	Balance		2025 Levy	Added Taxes	Collections		Overpayments Applied	State of NJ Veterans' and Senior Citizens' Deductions	Cancelled	Transferred to Tax Title Liens	Balance Dec. 31, 2025
	Dec. 31, 2024	2025 Levy			2024	2025					
2019		\$ 245.74									\$ 245.74
2022	\$ 1,910.47			75.43	\$ 393.19						1,592.71
2023	2,501.62				2,196.08						305.54
2024	1,820,327.53				1,790,422.29	\$ 381.52	\$ 500.00	\$ 12,655.16		\$ 13,017.59	3,350.97
2025	1,824,739.62	\$ 87,904,191.04		321.17	1,793,011.56	381.52	500.00	12,655.16		13,017.59	5,494.96
					84,539,755.23	7,220.10	124,750.00	258,381.67		569,146.84	1,783,174.86
	\$ 1,824,739.62	\$ 87,904,191.04		\$ 321.17	\$ 86,332,766.79	\$ 7,601.62	\$ 125,250.00	\$ 271,036.83		\$ 582,164.43	\$ 1,788,669.82

Ref. A

A

Analysis of 2025 Property Tax Levy:

Tax Yield:	
General Purpose Tax	\$ 87,813,903.35
Added Taxes (54:4-63.1 et seq.)	90,287.69
	<u>\$ 87,904,191.04</u>
Tax Levy:	
Local School District Taxes	\$ 51,216,913.00
County Taxes:	
General Taxes	\$ 16,417,932.95
Due County for Added and Omitted Taxes	16,434,881.54
Local Tax for Municipal Purposes	20,172,838.82
Additional Taxes Levied	79,557.68
	<u>20,252,396.50</u>
	<u>\$ 87,904,191.04</u>

TOWNSHIP OF VERNON  
CURRENT FUND  
SCHEDULE OF TAX TITLE LIENS RECEIVABLE

	<u>Ref.</u>	
Balance December 31, 2024	A	\$ 7,697,022.14
Increased by:		
Transfer from Taxes Receivable	\$ 582,164.43	
Interest and Costs on Tax Sale	<u>5,340.57</u>	
		<u>587,505.00</u>
		8,284,527.14
Decreased by:		
Tax Title Lien Redeemed		<u>194,231.76</u>
Balance December 31, 2025	A	<u>\$ 8,090,295.38</u>

TOWNSHIP OF VERNON  
CURRENT FUND  
SCHEDULE OF FORECLOSED PROPERTY

	<u>Ref.</u>	
Balance December 31, 2024	A	\$ 9,364,885.00
Balance December 31, 2025	A	<u>\$ 9,364,885.00</u>

TOWNSHIP OF VERNON  
CURRENT FUND  
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE  
YEAR ENDED DECEMBER 31, 2025

	<u>Balance</u> <u>Dec. 31, 2024</u>	<u>Accrued In</u> <u>2025</u>	<u>Collected by</u> <u>Treasurer</u>
Alcoholic Beverages Licenses		\$ 15,191.37	\$ 15,191.37
Fees and Permits		457,285.61	457,285.61
Municipal Court:			
Fines and Costs		56,734.25	56,734.25
Recycling Receipts		54,361.63	54,361.63
Vacant Property Fees		67,225.00	67,225.00
Energy Receipts Taxes		1,884,454.67	1,884,454.67
Garden State Trust		130,487.00	130,487.00
Watershed Moratorium Aid		294,455.00	294,455.00
Uniform Construction Code Fees		621,141.00	621,141.00
Interlocal Service Agreement - 911 Communications:			
Township of Wantage		15,000.00	15,000.00
Interlocal Service Agreement - Animal Control:			
Township of Montague		16,100.00	16,100.00
Borough of Franklin		14,000.00	14,000.00
Borough of Hamburg		13,500.00	13,500.00
Township of Hardyston		18,860.00	18,860.00
Township of Lafayette		10,700.00	10,700.00
Borough of Ogdensburg		13,760.00	13,760.00
Interlocal Service Agreement - Financial Services:			
Vernon Township MUA		101,500.00	101,500.00
Interlocal Service Agreement - Senior Citizens:			
County of Sussex	\$ 4,612.60	27,700.00	32,312.60
Interlocal Service Agreement - Board of Education:			
Gasoline		14,177.78	14,177.78
Uniform Fire Safety Act		43,613.58	43,613.58
Lot Development Plan		6,850.00	6,850.00
Hotel Occupancy Fee		388,837.66	388,837.66
Interest on Investments		490,434.52	490,434.52
Developer Payment for Bond per Agreement		260,085.03	260,085.03
SCMUA Bills to be Repaid by VTMUA		2,759,434.00	2,759,434.00
VTMUA - Principal and Interest Payment		347,246.01	347,246.01
Cannabis Tax		54,150.83	54,150.83
Reserve for Payment of Debt Service		13,616.43	13,616.43
	<u>\$ 4,612.60</u>	<u>\$ 8,190,901.37</u>	<u>\$ 8,195,513.97</u>

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

	Balance Dec. 31, 2024	Budget Revenue Realized	Received	Transferred From Unappropriated Reserves	Balance Dec. 31, 2025
Municipal Alliance on Alcoholism and Drug Abuse:					
2018	\$ 0.97				\$ 0.97
2019	1,298.71				1,298.71
2020	20,747.00				20,747.00
2023	90.00				90.00
2025		\$ 7,472.00	\$ 7,472.00		
2026		7,472.00	3,750.00		3,722.00
Body Armor Replacement Grant:					
2019	0.04				0.04
2020	230.16				230.16
2024		3,829.42		\$ 2,715.02	1,114.40
Bulletproof Vest Partnership Grant:					
2020	3,848.10				3,848.10
2022	87.15				87.15
2023		3,900.40		3,900.40	
2024		3,725.50			3,725.50
Clean Communities Grant - 2025		68,866.76	68,866.76		
Traffic Barricades Grant	6,682.00				6,682.00
Safe and Secure Communities Program:					
2024	3,177.92		3,177.92		
2025		45,150.00	12,750.00		32,400.00
NJ Division of Highway Traffic Safety:					
Drive Sober or Get Pulled Over:					
2020 Statewide Holiday Crackdown	5,500.00				5,500.00
NJ Highlands Water Protection & Planning Council:					
2012 - Highlands Plan Conformance Grant	141,499.75		43,930.00		97,569.75
2022 - Farmland Preservation Study	540.00				540.00
2022 - Stormwater Management Study	27,500.00		13,495.00		14,005.00
2022 - Trail Feasibility Study	9,357.50				9,357.50
2023 - Updated Housing Element & Fair Share Plan	18,000.00				18,000.00
2023 - Online Marketing & Branding Plan	28,000.00				28,000.00
2023 - Lake/Watershed Management Plan Phase I	149,000.00		125,137.50		23,862.50
2024 - Lake/Watershed Management Plan Phase II	202,000.00				202,000.00
2025 - Highlands Stormwater Assistance Grant		50,000.00			50,000.00
Recreational Opportunities for Individuals with Disabilities Grant:					
2025		12,337.00			12,337.00
NJ Department of Environmental Protection:					
No Net Loss Grant Reforestation Grant - 2014	282,960.00				282,960.00
National Opioid Settlement Proceeds:					
2024		58,010.63		58,010.63	
2025		15,558.50	15,558.50		
Stormwater Assistance Grant	50,000.00				50,000.00
Spotted Lanternfly Program	20,000.00				20,000.00
Local Recreation Improvement Grant	75,000.00				75,000.00
Drunk Driving Enforcement Fund - 2025		12,818.02	12,818.02		
	<u>\$ 1,045,519.30</u>	<u>\$ 289,140.23</u>	<u>\$ 306,955.70</u>	<u>\$ 64,626.05</u>	<u>\$ 963,077.78</u>

Ref.

A

Federal Grants	\$ -0-
State Grants	291,397.20
Local Grants	15,558.50
	<u>\$ 306,955.70</u>

A

TOWNSHIP OF VERNON  
CURRENT FUND  
SCHEDULE OF 2024 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2025

	<u>Balance</u> <u>Dec. 31, 2024</u>	<u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Balance</u> <u>Lapsed</u>
<b>GENERAL GOVERNMENT:</b>				
General Administrative:				
Salaries and Wages	\$ 1,291.37	\$ 1,291.37		\$ 1,291.37
Other Expenses	17,881.64	17,881.64	\$ 7,340.85	10,540.79
Mayor and Council:				
Salaries and Wages				
Other Expenses	2,808.24	2,808.24	267.23	2,541.01
Municipal Clerk:				
Salaries and Wages	1,960.23	1,960.23		1,960.23
Other Expenses	10,930.72	10,930.72	4,546.72	6,384.00
Financial Administration:				
Salaries and Wages	516.73	516.73		516.73
Other Expenses	11,219.16	11,219.16	10,041.32	1,177.84
Annual Audit	39,160.00	39,160.00	39,160.00	
Technology:				
Other Expenses	3,311.05	3,311.05	1,463.82	1,847.23
Revenue Administration (Collection of Taxes):				
Salaries and Wages	712.76	712.76		712.76
Other Expenses	4,643.01	4,643.01	3,848.59	794.42
Tax Assessment Administration:				
Salaries and Wages	91.32	91.32		91.32
Other Expenses	49,816.25	49,816.25	33,719.35	16,096.90
Legal Services:				
Other Expenses	116,950.15	96,950.15	74,374.71	22,575.44
Engineering Services:				
Other Expenses	12,131.93	12,131.93	4,652.38	7,479.55
Economic Development:				
Other Expenses	400.00	400.00		400.00
Beautification Committee:				
Other Expenses	3,770.77	3,770.77	1,886.44	1,884.33
<b>LAND USE ADMINISTRATION:</b>				
Land Use Board:				
Salaries and Wages	16,058.16	16,058.16		16,058.16
Other Expenses	34,822.11	34,822.11	1,276.82	33,545.29
<b>INSURANCE:</b>				
Liability Insurance	81,928.77	81,928.77	62,365.84	19,562.93
Workers Compensation Insurance	17,964.16	17,964.16		17,964.16
Employees Group Insurance (Health)	158,498.82	158,498.82	50,150.70	108,348.12
Health Benefit Waiver	472.68	472.68		472.68
Unemployment Insurance	2,000.00	2,000.00		2,000.00
<b>PUBLIC SAFETY FUNCTIONS:</b>				
Police Department:				
Salaries and Wages	75,925.70	75,925.70	73,535.96	2,389.74
Other Expenses	79,489.34	79,489.34	79,004.12	485.22

TOWNSHIP OF VERNON  
CURRENT FUND  
SCHEDULE OF 2024 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

	Balance Dec. 31, 2024	After Modification	Paid or Charged	Balance Lapsed
<b>PUBLIC SAFETY FUNCTIONS:</b>				
Township Radio and Communications:				
Salaries and Wages	\$ 54,980.46	\$ 54,980.46	\$ 25,000.00	\$ 29,980.46
Other Expenses	1,682.90	1,682.90	571.01	1,111.89
Volunteer Emergency Services:				
Other Expenses	58,206.22	58,206.22	36,903.66	21,302.56
Uniform Fire Safety Act:				
Salaries and Wages	16,532.87	16,532.87		16,532.87
Other Expenses	10,477.14	10,477.14	763.05	9,714.09
Municipal Prosecutor				
Other Expenses	5,500.00	5,500.00		5,500.00
Office of Emergency Management				
Salaries and Wages	3,125.00	3,125.00		3,125.00
Other Expenses	13,827.48	13,827.48	11,218.17	2,609.31
<b>PUBLIC WORKS FUNCTIONS:</b>				
Streets and Roads Maintenance:				
Salaries and Wages	5,342.29	5,342.29		5,342.29
Other Expenses	256,038.93	256,038.93	254,055.94	1,982.99
Recycling:				
Salaries and Wages	1,135.67	1,135.67		1,135.67
Other Expenses	1,433.61	4,433.61	1,833.35	2,600.26
Buildings and Grounds:				
Salaries and Wages	161.36	161.36		161.36
Other Expenses	26,972.55	26,972.55	16,572.88	10,399.67
Fleet Management:				
Salaries and Wages	15,373.61	15,373.61		15,373.61
Other Expenses	28,324.76	45,324.76	33,429.62	11,895.14
Municipal Services Act:				
Other Expenses	21,259.17	21,259.17	21,259.17	
<b>HEALTH AND HUMAN SERVICES FUNCTIONS:</b>				
Environmental Commission:				
Salaries and Wages	500.00	500.00		500.00
Other Expenses	63.53	63.53		63.53
Animal Control Services:				
Salaries and Wages	36,152.04	36,152.04		36,152.04
Other Expenses	4,849.35	4,849.35	2,268.48	2,580.87
<b>PARKS AND RECREATION FUNCTIONS:</b>				
Recreation Services and Programs:				
Salaries and Wages	474.21	474.21		474.21
Other Expenses	3,673.06	3,673.06	1,387.11	2,285.95
Senior Citizens:				
Salaries and Wages	5,532.94	5,532.94		5,532.94
Other Expenses	13,371.04	13,371.04	8,566.36	4,804.68

TOWNSHIP OF VERNON  
CURRENT FUND  
SCHEDULE OF 2024 APPROPRIATION RESERVES  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

	Balance Dec. 31, 2024	After Modification	Paid or Charged	Balance Lapsed
<b>PARKS AND RECREATION FUNCTIONS:</b>				
Maintenance of Parks:				
Salaries and Wages	\$ 1,218.06	\$ 1,218.06		\$ 1,218.06
Other Expenses	14,113.70	14,113.70	\$ 5,423.77	8,689.93
<b>OTHER COMMON OPERATING FUNCTIONS:</b>				
Municipal Court:				
Salaries and Wages	6,317.02	6,317.02		6,317.02
Other Expenses	2,758.83	2,758.83	553.42	2,205.41
Construction Code Official:				
Salaries and Wages	6,302.57	6,302.57		6,302.57
Other Expenses	2,558.83	2,558.83	710.88	1,847.95
<b>UTILITY EXPENSES AND BULK PURCHASES:</b>				
Utilities	184,118.92	184,118.92	178,383.58	5,735.34
<b>STATUTORY EXPENDITURES:</b>				
Public Employees Retirement System	6,000.00	6,000.00		6,000.00
Social Security System (O.A.S.I)	23,901.57	23,901.57	2,626.77	21,274.80
Defined Contribution Retirement System	2,302.30	2,302.30		2,302.30
LOSAP	80,000.00	80,000.00	80,000.00	
Sussex County Municipal Utility Authority:				
Capital Improvement/Service Agreement	8,069.00	8,069.00		8,069.00
Interlocal Municipal Service Agreements:				
Board of Education				
Gasoline	8,882.53	8,882.53	8,882.53	
Capital Improvements:				
Acquisition of Municipal SUVs and Trucks	28,559.42	28,559.42	28,559.42	
Acquisition of Municipal Computer Equipment	5,000.00	5,000.00	5,000.00	
	<u>\$ 1,709,848.01</u>	<u>\$ 1,709,848.01</u>	<u>\$ 1,171,604.02</u>	<u>\$ 538,243.99</u>

		<u>Ref.</u>
<u>Analysis of Balance on December 31, 2024</u>		
Unencumbered	A	\$ 1,193,644.80
Encumbered	A	516,203.21
		<u>\$ 1,709,848.01</u>

Cash Disbursed	\$ 629,120.34
Due to Other Trust Funds	402,916.24
Due to General Capital Fund	6,345.81
Reserve for Tax Appeals Pending	50,000.00
Accounts Payable	95,000.00
Less: Appropriation Reserve Refunds	(11,778.37)
	<u>\$ 1,171,604.02</u>

TOWNSHIP OF VERNON  
CURRENT FUND  
SCHEDULE OF LOCAL SCHOOL DISTRICT TAXES PAYABLE  
YEAR ENDED DECEMBER 31, 2025

Increased by:		
2025 School Tax Levy		<u>\$ 51,216,913.00</u>
Decreased by:		
Payments to Local School District		<u><u>\$ 51,216,913.00</u></u>

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

	<u>Balance</u> <u>Dec. 31, 2024</u>	<u>Transferred</u> <u>from Budget</u> <u>Appropriations</u>	<u>Total</u> <u>Expended</u>	<u>Balance</u> <u>Dec. 31, 2025</u>
Clean Communities Program:				
2021	\$ 71.40		\$ 71.40	
2022	211.12		211.12	
2023	61,134.79			\$ 61,134.79
2024	55,249.78		48,246.09	7,003.69
2025		\$ 68,866.76		68,866.76
Drunk Driving Enforcement Fund:				
2019	742.52			742.52
2020	3,170.39			3,170.39
2025		12,818.02	3,212.26	9,605.76
Body Armor Replacement Grant:				
2019	0.04			0.04
2023	2,611.61		2,611.61	
2024		3,829.42		3,829.42
Municipal Alliance on Alcoholism and Drug Abuse:				
2018	0.97			0.97
2019	1,298.71			1,298.71
2020	15,163.00			15,163.00
2021	5,584.00			5,584.00
2025		7,472.00	7,472.00	
2026		7,472.00	5,222.00	2,250.00
Traffic Barricades Grant	6,682.00			6,682.00
Safe and Secure Communities Grant:				
2025		45,150.00	5,050.80	40,099.20
Bulletproof Vest Partnership Grant:				
2023	305.77		305.77	
2024		3,900.40		3,900.40
2025		3,725.50		3,725.50
NJ Highlands Water Protection & Planning Council:				
2012 - Highlands Plan Conformance Grant	77,461.70		15,937.50	61,524.20
2022 - Farmland Preservation Study	15,000.00			15,000.00
2022 - Trail Feasibility Study	9,357.50			9,357.50
2023 - Updated Housing Element & Fair Share Plan	18,000.00			18,000.00
2023 - Online Marketing & Branding Plan	28,000.00			28,000.00
2023 - Lake/Watershed Management Plan Phase I	74,200.00		74,200.00	
2024 - Lake/Watershed Management Plan Phase II	92,312.50		92,312.50	
2025 - Highlands Stormwater Assistance Grant		50,000.00		50,000.00
Recreational Opportunities for Individuals with Disabilities:				
2024	180.00			180.00
2025		12,337.00		12,337.00
NJ Division of Highway Traffic Safety:				
Drive Sober or Get Pulled Over:				
2020 Statewide Year End Holiday Crackdown	5,500.00			5,500.00

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

(Continued)

	<u>Balance</u> <u>Dec. 31, 2024</u>	<u>Transferred</u> <u>from Budget</u> <u>Appropriations</u>	<u>Total</u> <u>Expended</u>	<u>Balance</u> <u>Dec. 31, 2025</u>
NJ Department of Environmental Protection:				
No Net Loss Grant Reforestation Grant - 2014	\$ 316,627.16			\$ 316,627.16
Sustainable Jersey Small Grant - 2016	50.00			50.00
National Opioid Settlement Proceeds:				
2022	10,257.60			10,257.60
2023	8,611.72		\$ 2,948.39	5,663.33
2024	20,463.10	\$ 58,010.63	8,558.11	69,915.62
2025		15,558.50		15,558.50
Statewide Insurance Safety Grant:				
2024	10,000.00			10,000.00
Lead Assistance Grant	1,809.26		1,612.07	197.19
Matching Funds for Grants	6,170.00	2,800.00		8,970.00
Local LEAD Supplies Grant	19.42			19.42
Stormwater Assistance Grant	71,965.61		7,001.63	64,963.98
Spotted Lanternfly Program	20,000.00		9,985.00	10,015.00
Local Recreation Improvement Grant	75,000.00			75,000.00
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	1.85			1.85
American Rescue Plan:				
Deep Core Testing Wallace Property	17,945.66			17,945.66
	<u>\$ 1,031,159.18</u>	<u>\$ 291,940.23</u>	<u>\$ 284,958.25</u>	<u>\$ 1,038,141.16</u>
<u>Ref.</u>	A			A
Cash Disbursed			\$ 286,794.65	
Less: Appropriated Reserves Refund			<u>1,836.40</u>	
			<u>\$ 284,958.25</u>	
Federal Grants			\$ 10,290.77	
State Grants			263,160.98	
Local Grants			<u>11,506.50</u>	
			<u>\$ 284,958.25</u>	

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

	<u>Balance</u> <u>Dec. 31, 2024</u>	<u>Grant</u> <u>Funds</u> <u>Received</u>	<u>2025</u> <u>Budget</u> <u>Revenue</u>	<u>Balance</u> <u>Dec. 31, 2025</u>
Drunk Driving Enforcement Fund - 2020	\$ 0.19			\$ 0.19
Body Armor Replacement Grant:				
2024	2,715.02		\$ 2,715.02	
Bulletproof Vest Partnership Grant:				
2023	3,900.40		3,900.40	
2025		\$ 1,684.20		1,684.20
National Opioid Settlement Proceeds:				
2024	58,010.63		58,010.63	
2025		18,537.85		18,537.85
Statewide Insurance Safety Grant - 2025		11,689.00		11,689.00
	<u>\$ 64,626.24</u>	<u>\$ 31,911.05</u>	<u>\$ 64,626.05</u>	<u>\$ 31,911.24</u>

Ref.

A

A

Federal Grants	\$ 1,684.20
Local Grants	<u>30,226.85</u>
	<u><u>\$ 31,911.05</u></u>

TOWNSHIP OF VERNON  
COUNTY OF SUSSEX  
2025  
TRUST FUNDS



TOWNSHIP OF VERNON  
TRUST FUNDS  
SCHEDULE OF CASH AND INVESTMENTS  
(Continued)

Ref.	Animal Control Fund	Open Space Trust Fund	Other Trust Funds	Assessment Trust Fund	LCPOA Dam #1 Trust Fund	LCPOA Dam #2 Trust Fund
Decreased by Disbursements:						
Due to Lake Community Property Association:						
NJ DEP Loan Payable					\$ 17,428.15	\$ 19,325.34
Accrued Interest					2,906.05	5,090.63
Due to State of New Jersey:						
Building Surcharge			\$ 30,891.00			
Due to/from Current Fund:						
Prior Year Interfund Returned	\$ 1,200.00					
Reserve for:						
Developers' Escrow Deposits Payable			70,535.70			
Fire Prevention Penalties			40,235.00			
Tax Sale Premium			1,399,812.49			
Redemption for Outside Liens			1,573,831.55			
Unemployment Compensation Insurance			2,705.33			
Compensated Absences			64,965.15			
Senior Citizens Center			19,771.67			
Recreation			64,562.92			
Storm Recovery			654,650.91			
Animal Control Donations			20,700.22			
Irrevocable Affordable Housing Trust			23,389.79			
Open Space Trust		\$ 40,011.65				
Flexible Spending Trust			35,902.38			
Net Payroll and Payroll Deductions			6,513,699.87			
	<u>1,200.00</u>	<u>40,011.65</u>	<u>10,515,653.98</u>		<u>20,334.20</u>	<u>24,415.97</u>
B	<u>\$ 171,284.80</u>	<u>\$ 452,684.95</u>	<u>\$ 4,431,088.79</u>	<u>\$ 41,825.75</u>	<u>\$ 147,829.80</u>	<u>\$ 284,277.44</u>
Balance December 31, 2025						

TOWNSHIP OF VERNON  
ANIMAL CONTROL TRUST FUND  
SCHEDULE OF ANIMAL CONTROL FUND CASH - COLLECTOR  
YEAR ENDED DECEMBER 31, 2025

## Increased by Receipts:

Municipal License Fees	\$ 45,235.20	
State Dog License Fees	5,584.80	
Dog License Late Fees	5,580.00	
Miscellaneous Dog Fees	<u>850.00</u>	
		\$ 57,250.00

## Decreased by Disbursements:

Treasurer - Animal Control Fund	51,665.20	
State of New Jersey	<u>5,584.80</u>	
		<u>\$ 57,250.00</u>

TOWNSHIP OF VERNON  
ASSESSMENT TRUST FUND  
ANALYSIS OF CASH

	<u>Balance</u> <u>Dec. 31, 2024</u>	<u>Balance</u> <u>Dec. 31, 2025</u>
Fund Balance	\$ 41,825.75	\$ 41,825.75
	<u>\$ 41,825.75</u>	<u>\$ 41,825.75</u>
	Ref. B	B

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

	<u>Ref.</u>	
Balance December 31, 2024	B	\$ 104,197.60
Increased by:		
Dog Fees Collected Due to Treasurer:		
Dog License Fees		\$ 46,085.20
Late Fees		5,580.00
Shelter Fees		15,422.00
		67,087.20
		171,284.80
Decreased by:		
Due to Current Fund:		
Animal Control Expenditures		70,000.00
		70,000.00
Balance December 31, 2025	B	\$ 101,284.80

License Fees Collected

<u>Year</u>	<u>Amount</u>
2023	\$ 53,935.00
2024	52,220.40
	106,155.40
Maximum Allowable Reserve	\$ 106,155.40

TOWNSHIP OF VERNON  
ASSESSMENT TRUST FUND  
SCHEDULE OF ASSESSMENTS RECEIVABLE

<u>Improvement Description</u>	<u>Date of Confirmation</u>	<u>Balance Dec. 31, 2024</u>	<u>Balance Dec. 31, 2025</u>	<u>Balance Pledged to Reserve</u>
Woodland Hills Drive, Red Oak Court, Babtown Road Improvements	10/02/06	\$ 4,932.43	\$ 4,932.43	\$ 4,932.43
		<u>\$ 4,932.43</u>	<u>\$ 4,932.43</u>	<u>\$ 4,932.43</u>
	<u>Ref.</u>	B	B	

TOWNSHIP OF VERNON  
ASSESSMENT TRUST FUND  
SCHEDULE OF ASSESSMENT LIENS

<u>Improvement Description</u>	<u>Date of Ordinance</u>	<u>Balance Dec. 31, 2024</u>	<u>Balance Dec. 31, 2025</u>	<u>Balance Pledged to Reserve</u>
Improvement to Various Streets - Lake Wanda	10/01/75	<u>\$ 352.40</u>	<u>\$ 352.40</u>	<u>\$ 352.40</u>
	<u>Ref.</u>	B	B	

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

	<u>Ref.</u>	
Balance at December 31, 2024	B	<u>\$ 56.31</u>
Balance at December 31, 2025	B	<u><u>\$ 56.31</u></u>

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

<u>Improvement Description</u>	<u>Balance Dec. 31, 2024</u>	<u>Balance Dec. 31, 2025</u>
<u>Assessment Receivable:</u>		
Woodland Hills Drive, Red Oak Court, Babtown Road Improvements	\$ 4,932.43	\$ 4,932.43
	<u>4,932.43</u>	<u>4,932.43</u>
<u>Assessment Liens:</u>		
Improvement to Various Streets - Lake Wanda	<u>352.40</u>	<u>352.40</u>
	<u>\$ 5,284.83</u>	<u>\$ 5,284.83</u>
Ref.	B	B

TOWNSHIP OF VERNON  
COUNTY OF SUSSEX  
2025  
GENERAL CAPITAL FUND

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

	<u>Ref.</u>	
Balance December 31, 2024	C	\$ 3,246,356.69
Increased by:		
Due from Current Fund:		
2025 Budget Appropriation:		
Capital Improvement Fund	\$ 900,000.00	
Reserve for:		
Police Department	5,000.00	
Fire Department	202,000.00	
Department of Public Works Improvements	205,550.00	
Animal Control Improvements	7,000.00	
Emergency Services Improvements	37,500.00	
Acquisition of EMS SUVs & Trucks	743.21	
Prior Year Interfund Returned	111,820.93	
Due to Federal and State Grant Fund:		
Prior Year Interfund Returned	551,555.00	
Capital Fund Balance:		
Premium on Bond Anticipation Notes	104,427.84	
Bond Anticipation Notes Issued	5,138,000.00	
Improvement Authorization Refund	8,520.00	
NJIB Loan Receivable	625,982.00	
	7,898,098.98	11,144,455.67
Decreased by:		
Due to Current Fund:		
Anticipated Revenue:		
Reserve for Payment of Debt Service	13,616.43	
Improvement Authorization Expenditures	5,952,968.04	
Reserve for:		
Acquisition of Municipal Vehicles	20,705.60	
Acquisition of Municipal Computer Equip.	11,055.13	
	5,998,345.20	5,998,345.20
Balance December 31, 2025	C	\$ 5,146,110.47





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

Ord. No.	Improvement Description	Balance Dec. 31, 2024	2025 Authorizations	Notes Paid by Budget Appropriation	Balance Dec. 31, 2025	Analysis of Balance December 31, 2025		
						Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
<u>General Improvements:</u>								
11-23	Restructuring of a Portion of the Cost of Acquisition of Capacity at the Sanitary Sewage Treatment Plant of the Sussex County Municipal Utilities Authority	\$ 140,000.00		\$ 140,000.00	\$ 325.00			\$ 325.00
16-15	Various Capital Improvements	325.00			40,000.00			39,109.12
18-16	Improvement of the Sanitary Sewerage System	40,000.00			440.00			440.00
20-11	Various Capital Improvements				2,934,000.00	\$ 2,934,000.00		
21-12	Various Capital Improvements	3,034,000.00		100,000.00				
22-05	Improvement of the Sanitary Sewerage System (Sand Hill Pump Station)	403,076.00			403,076.00			403,076.00
22-08	Acquisition of a New Fire Truck	424,047.00		300,000.00	124,047.00	124,000.00		47.00
22-10	Various Capital Improvements	1,365,000.00		75,000.00	1,290,000.00	1,290,000.00		
23-12	Acquisition of New Fire Truck	320,300.00			320,300.00		232,243.47	88,056.53
23-15	Various Capital Improvements	2,432,486.00			2,432,486.00	2,432,000.00		486.00
23-16	Improvement of Sanitary Sewerage System	822,000.00			822,000.00			822,000.00
23-23	Improvement of Water Supply and Distribution System	1,448,445.00			1,448,445.00			1,448,445.00
24-09	Improvement of Highland Lakes Fire Department	100,000.00			100,000.00		100,000.00	
24-10	Various Capital Improvements	2,220,000.00			2,220,000.00	2,220,000.00		
24-23	Acquisition of New Equipment	513,000.00			513,000.00	513,000.00		
25-09	Various Capital Improvements	513,000.00			2,550,000.00	1,275,000.00		1,275,000.00
		\$ 13,263,119.00	\$ 2,550,000.00	\$ 615,000.00	\$ 15,198,119.00	\$ 10,788,000.00	\$ 333,134.35	\$ 4,076,984.65

Ref.

C

C

Analysis of Unexpended Improvement Authorizations:

Improvement Authorizations - Unfunded

Less: Unexpended Proceeds of Bond Anticipation Notes Issued:

Ord. #21-12	\$ 491,153.29
Ord. #22-05	220,096.28
Ord. #22-08	3,583.15
Ord. #22-10	140,317.11
Ord. #23-15	149,346.29
Ord. #24-10	453,897.47
Ord. #24-23	107,838.72
Ord. #25-09	866,797.07
	<u>2,433,029.38</u>
	<u>\$ 4,076,984.65</u>

TOWNSHIP OF VERNON  
GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Date	Ordinance		December 31, 2024		2025 Authorizations		Paid or Charged	December 31, 2025	
			Amount		Funded	Unfunded	Deferred Charges to Future Taxation - Unfunded	Other Sources		Funded	Unfunded
16-15; 19-22	Various Capital Improvements	6/13/2016; 10/28/19	\$ 1,614,500.00	\$	\$ 35,135.32	\$ 325.00			\$	\$ 35,135.32	\$ 325.00
18-16	Improvement of the Sanitary Sewerage System	04/23/18	140,000.00			39,109.12					39,109.12
18-17	Various Capital Improvements	04/23/18	1,748,870.00		20,000.00			\$ 20,000.00			
20-11	Various Road Improvements	05/28/20	2,600,500.00		23,213.17	440.00		13,027.58		10,185.59	440.00
20-12	Various Road Improvements	05/28/20	396,550.00		55,000.00					55,000.00	
21-03	Various Capital Improvements	01/25/21	300,000.00		21,181.95					21,181.95	
21-12	Various Capital Improvements	05/24/21	4,015,000.00			993,970.64		502,817.35		1,671,954.07	491,153.29
21-27	Improvements to Water and Wastewater Infrastructure	08/23/21	1,750,000.00		1,676,809.07			4,855.00			
22-05	Improvement of the Sanitary Sewerage System (Sand Hill Pump Station)	02/28/22	2,400,000.00			715,361.71		92,189.43		20,000.00	623,172.28
22-06	Various Capital Improvements	03/14/22	20,000.00		20,000.00						
22-08	Acquisition of a New Fire Truck	04/11/22	655,000.00			9,425.07		5,794.92		1,365.49	3,630.15
22-09	Various Capital Improvements	05/23/22	323,000.00		61,871.62			60,506.13			
22-10	Various Capital Improvements	05/23/22	1,955,000.00			255,248.79		114,931.68			140,317.11
23-10	Acquisition of Fire Department Apparatus	04/10/23	340,000.00		340,000.00			340,000.00			
23-12	Acquisition of New Fire Truck	04/10/23	845,300.00		525,000.00	320,300.00		757,243.47		44,184.96	88,056.53
23-14	Various Capital Improvements	06/12/23	340,000.00		149,538.38			105,353.42			
23-15	Various Capital Improvements	06/12/23	2,861,000.00			598,535.24		448,702.95			149,832.29
23-16	Improvement of Sanitary Sewerage System	06/26/23	4,316,500.00		3,480,430.00	822,000.00		5,337.50		3,475,092.50	822,000.00
23-23	Improvement of Water Supply and Distribution System	12/11/23	2,000,000.00		551,555.00	1,448,445.00		7,475.00		544,080.00	1,448,445.00
24-08	Various Capital Improvements	06/24/23	160,000.00		25,492.99			25,492.99			
24-10	Various Capital Improvements	06/24/24	3,483,624.00			1,899,156.26		1,445,258.79			453,897.47
24-23	Acquisition of New Equipment	11/14/24	540,000.00		27,000.00	513,000.00		432,161.28			107,838.72
25-02	Acquisition and Installation of Computer Equipment and Improvements for the Police Department	02/10/25	55,000.00				\$ 55,000.00	54,975.23		24.77	
25-07	Acquisition & Installation of Equipment & Improvements for the Fire Dept. Police Dept and Maintenance of Park	05/29/25	265,000.00				265,000.00	161,747.39		103,252.61	
25-09	Various Capital Improvements	07/14/25	3,492,500.00				\$ 2,550,000.00	1,350,702.93			2,141,797.07
					\$ 7,012,227.50	\$ 7,615,316.83	\$ 2,550,000.00	\$ 5,948,573.04	\$ 5,981,457.26		\$ 6,510,014.03
		Ref.			C	C			C		C
					Capital Improvement Fund		\$ 1,006,214.00				
					Reserve for Police Department		42,000.00				
					NJ Department of Transportation Grant		214,286.00				
							\$ 1,262,500.00				
					Cash Disbursed		\$ 5,952,968.04				
					Due to Current Fund		4,125.00				
					Less: Refunds		(8,520.00)				
							\$ 5,948,573.04				

TOWNSHIP OF VERNON  
GENERAL CAPITAL FUND  
SCHEDULE OF CAPITAL IMPROVEMENT FUND

	<u>Ref.</u>	
Balance December 31, 2024	C	\$ 160,285.26
Increased by:		
2025 Budget Appropriation		<u>900,000.00</u>
		1,060,285.26
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>1,006,214.00</u>
Balance December 31, 2025	C	<u><u>\$ 54,071.26</u></u>

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

Ord. No.	Improvement Description	Date of			Interest Rate	Balance Dec. 31, 2024	Issued	Matured	Balance Dec. 31, 2025
		Original Issue	Issue	Maturity					
11-23	Restructuring of a Portion of the Cost of Acquisition of Capacity at the Sanitary Sewage Treatment Plant of the Sussex County Municipal Utilities Authority	10/27/16	08/22/24	08/22/25	0.00%	\$ 140,000.00	\$ 140,000.00		
21-12	Various Capital Improvements	10/21/21	08/22/24	08/22/25	3.75%	1,904,000.00	1,904,000.00	\$ 1,804,000.00	
		08/21/25	08/21/25	08/21/26	3.75%			1,130,000.00	
22-08	Acquisition of a New Fire Truck	08/25/22	08/22/24	08/22/25	3.75%	424,000.00	424,000.00		
			08/21/25	08/21/26	3.75%		124,000.00	124,000.00	
22-10	Various Capital Improvements	08/25/22	08/22/24	08/22/25	3.75%	1,365,000.00	1,365,000.00		
			08/21/25	08/21/26	3.75%		1,290,000.00	1,290,000.00	
23-15	Various Capital Improvements	08/24/23	08/22/24	08/22/25	3.75%	2,432,000.00	2,432,000.00		
			08/21/25	08/21/26	3.75%		2,432,000.00	2,432,000.00	
24-10	Various Capital Improvements	08/21/25	08/21/25	08/21/26	3.75%		2,220,000.00	2,220,000.00	
24-23	Acquisition of New Equipment	08/21/25	08/21/25	08/21/26	3.75%		513,000.00	513,000.00	
25-09	Various Capital Improvements	08/21/25	08/21/25	08/21/26	3.75%		1,275,000.00	1,275,000.00	
						<u>\$ 6,265,000.00</u>	<u>\$ 10,788,000.00</u>	<u>\$ 10,788,000.00</u>	

Ref.

C

C

New Issues \$ 5,138,000.00  
Renewals 5,650,000.00  
Paid by Budget Appropriation 615,000.00

\$ 10,788,000.00  
\$ 6,265,000.00

TOWNSHIP OF VERNON  
 GENERAL CAPITAL FUND  
SCHEDULE OF SERIAL BONDS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2024	Matured	Balance Dec. 31, 2025
			Date	Amount				
General Refunding Bonds of 2020	10/07/20	\$ 5,170,000.00	01/01/26	\$ 1,105,000.00	4.000%	\$ 2,175,000.00	\$ 1,070,000.00	\$ 1,105,000.00
System Refunding Bonds of 2020	10/07/20	2,380,000.00	01/01/26	210,000.00	1.363%			
			01/01/27	205,000.00	1.513%			
			01/01/28	200,000.00	1.979%			
			01/01/29	195,000.00	1.979%			
			01/01/30	190,000.00	1.979%			
			01/01/31	185,000.00	2.279%			
			01/01/32	180,000.00	2.279%			
			01/01/33	175,000.00	2.279%	1,755,000.00	215,000.00	1,540,000.00
General Bonds of 2021	07/21/21	14,050,000.00	03/01/26	880,000.00	4.000%			
			03/01/27	900,000.00	4.000%			
			03/01/28	915,000.00	4.000%			
			03/01/29	935,000.00	4.000%			
			03/01/30	955,000.00	3.000%			
			03/01/31	975,000.00	2.000%			
			03/01/32	990,000.00	2.000%			
			03/01/33	1,015,000.00	2.000%			
			03/01/34	1,035,000.00	2.000%			
			03/01/35	1,055,000.00	2.000%			
						<u>\$ 15,525,000.00</u>	<u>\$ 2,150,000.00</u>	<u>\$ 13,375,000.00</u>
						C	C	C

Ref.

TOWNSHIP OF VERNON  
GENERAL CAPITAL FUND  
SCHEDULE OF NEW JERSEY INFRASTRUCTURE BANK  
CONSTRUCTION LOANS PAYABLE

	<u>Ref.</u>	<u>Fund Loan</u>
Balance December 31, 2024	C	<u>\$ 2,096,924.00</u>
Balance December 31, 2025	C	<u><u>\$ 2,096,924.00</u></u>

SCHEDULE OF NOTE OUTSTANDING DECEMBER 31, 2025  
THE CONSTRUCTION FINANCING LOAN PROGRAM

<u>Project No.</u>	<u>Ord. No.</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2025</u>
FP (AMPLP)-18	18-16; 22-05	9/18/2018	6/30/2026	0.00%	<u><u>\$ 2,096,924.00</u></u>

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

Ord. No.	Improvement Description	Balance Dec. 31, 2024	2025 Authorizations	Bond Anticipation Notes Issued	Balance Dec. 31, 2025
16-15	Various Capital Improvements	\$ 325.00			\$ 325.00
18-16	Improvement of the Sanitary Sewerage System	40,000.00			40,000.00
20-11	Various Capital Improvements	440.00			440.00
21-12	Various Capital Improvements	1,130,000.00		\$ 1,130,000.00	
22-05	Improvement of the Sanitary Sewerage System (Sand Hill Pump Station)	403,076.00			403,076.00
22-08	Acquisition of a New Fire Truck	47.00			47.00
23-12	Acquisition of New Fire Truck	320,300.00			320,300.00
23-15	Various Capital Improvements	486.00			486.00
23-16	Improvement of Sanitary Sewerage System	822,000.00			822,000.00
23-23	Improvement of Water Supply and Distribution System	1,448,445.00			1,448,445.00
24-09	Improvement of Highland Lakes Fire Department	100,000.00			100,000.00
24-10	Various Capital Improvements	2,220,000.00		2,220,000.00	
24-23	Acquisition of New Equipment	513,000.00		513,000.00	
25-09	Various Capital Improvements	<u>                    </u>	<u>\$ 2,550,000.00</u>	<u>1,275,000.00</u>	<u>1,275,000.00</u>
		<u>\$ 6,998,119.00</u>	<u>\$ 2,550,000.00</u>	<u>\$ 5,138,000.00</u>	<u>\$ 4,410,119.00</u>

TOWNSHIP OF VERNON

PART II – SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2025

TOWNSHIP OF VERNON  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED DECEMBER 31, 2025

Name of Federal Agency or Department	Assistance Listing Number	Name of Program	State Account No.	Grant Award Amount	Grant Period		Current Year Receipts	Current Year Expenditures	Cumulative Expenditures	Provided to Subrecipients
					From	To				
U.S. Department of Justice (Passed thru N.J. Department of Law and Public Safety)	16.607	Bulleproof Vest Partnership Grant: 2023 2025	N/A N/A	\$ 1,098.05	01/01/23	12/31/25	\$ 1,684.20	\$ 305.77	\$ 1,098.05	
				1,684.20	01/01/25	12/31/26				
				9,949.20			1,684.20	305.77	1,098.05	
Total Department of Justice										
U.S. Department of Treasury (Passed through New Jersey Department of Community Affairs)	21.027	COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	100-022-8030-687-046010	2,301,556.85	03/03/21	12/31/26		12,330.00	85,520.93	
(Passed through New Jersey Department of Agriculture)	21.027	COVID 19 - Coronavirus State and Local Fiscal Recovery Funds - Spotted Lanternfly Grant	100-010-3320-130-020590	20,000.00	01/01/24	12/31/26		9,985.00	9,985.00	
				2,321,556.85				22,315.00	95,505.93	
Total Department of Treasury										
U.S. Department of Environmental Protection	66.202	Community Grant Program - Clean Water State Revolving Fund Sewer Expansion Project	N/A	3,452,972.00	01/01/23	12/31/26		5,337.50	19,407.50	
				3,452,972.00				5,337.50	19,407.50	
Total Department of Environmental Protection										
Total Federal Awards				\$ 5,784,478.05			\$ 1,684.20	\$ 27,958.27	\$ 116,011.48	\$ -0-

N/A - Not Applicable

TOWNSHIP OF VERNON  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2025

Name of State Agency or Department	Name of Program	Grant ID. No.	Grant Award Amount	Grant Period		Current Year Receipts	Current Year Expenditures	Cumulative Expenditures
				From	To			
Department of Law and Public Safety	Safe and Secure Communities	100-066-1020-	\$ 32,400.00	01/01/24	12/31/24	\$ 3,177.92		\$ 32,400.00
		232-090940	45,150.00	01/01/25	12/31/26	12,750.00	\$ 5,050.80	5,050.80
			77,550.00			15,927.92	5,050.80	37,450.80
	Body Armor Replacement Grant	718-066-1020- 001-090160	2,611.61	01/01/23	12/31/25		2,611.61	2,611.61
	Drunk Driving Enforcement Fund	100-078-6400 -YYYY	12,818.02	01/01/25	12/31/26	12,818.02	3,212.26	3,212.26
			12,818.02			12,818.02	3,212.26	3,212.26
	Total Department of Law and Public Safety		92,979.63			28,745.94	10,874.67	43,274.67
Department of Environmental Protection	Clean Communities Grant	765-042-4900-	55,831.51	01/01/21	12/31/25		71.40	55,831.51
		004-178910	54,505.72	01/01/22	12/31/25		211.12	54,505.72
			69,435.11	01/01/24	12/31/26		48,246.09	62,431.42
			68,866.76	01/01/25	12/31/26	68,866.76		62,431.42
			248,639.10			68,866.76		172,768.65
	Stormwater Assistance Grant: 2023	100-042-4850 099-290400	75,000.00	01/01/23	12/31/26		7,001.63	10,036.02
			75,000.00				7,001.63	10,036.02
	NJ Infrastructure Bank Construction Financing Program - Asset Management and Wastewater Pump Station Replacement	S340745-03	2,096,924.00	01/01/21	12/31/26	625,982.00	625,982.00	1,811,897.00
			2,096,924.00			625,982.00	625,982.00	1,811,897.00
	Total Department of Environmental Protection		2,420,563.10			694,848.76	681,512.24	1,994,701.67
Department of Community Affairs	Lead Programs (P.L.2021, C.182)	100-022-8020 304-023110	10,400.00	01/01/23	12/31/26		1,612.07	10,202.81
	Total Department of Community Affairs		35,074.00				1,612.07	34,696.81

TOWNSHIP OF VERNON  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
YEAR ENDED DECEMBER 31, 2025  
 (Continued)

Name of State Agency or Department	Name of Program	Grant ID. No.	Grant Award Amount	Grant Period		Current Year Receipts	Current Year Expenditures	Cumulative Expenditures
				From	To			
<u>Department of Transportation</u>	Municipal Aid:	480-078-6320-						
	2024 - Glenwood Mountain Road, Sec. II	APS-606284	\$ 190,032.00	01/01/24	12/31/25		\$ 190,032.00	\$ 190,032.00
	2025 - MacPeck Road Improvements		214,286.00	01/01/25	12/31/26		184,323.56	184,323.56
Total Department of Transportation			190,032.00				374,355.56	374,355.56
<u>Department of Treasury</u> (Passed through the County of Sussex)	Governor's Council on Alcoholism and Drug Abuse - Municipal Alliance	205-3063-402 -0435	7,472.00 7,472.00	07/01/24 07/01/25	06/30/25 06/30/26	7,472.00 3,750.00	7,472.00 5,222.00	7,472.00 5,222.00
	Total Department of Treasury		14,944.00			11,222.00	12,694.00	12,694.00
<u>NJ Highlands Council</u>	2012 - Highlands Plan Conformance Grant	100-082-2078	255,247.15	01/01/12	12/31/26	43,930.00	15,937.50	193,722.95
	2022 - Stormwater Management Study	033-290220	27,500.00	01/01/22	12/31/23	13,495.00		27,500.00
	2023 - Lake/Watershed Management Plan Phase I		149,000.00	01/01/23	12/31/25	125,137.50	74,200.00	149,000.00
	2024 - Lake/Watershed Management Plan Phase II		202,000.00	01/01/24	12/31/25		92,312.50	202,000.00
Total NJ Highlands Council		240,000.00			182,562.50	182,450.00	572,222.95	
Total State Awards			\$ 2,993,592.73			\$ 917,379.20	\$ 1,263,498.54	\$ 3,031,945.66

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

TOWNSHIP OF VERNON  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2025

A. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") includes the federal and state grant activity of the Township under programs of the federal and state governments for the year ended December 31, 2025. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 25-12, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Township, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Township.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Township has elected not to use the 15 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

D. N.J. INFRASTRUCTURE BANK (NJIB) LOANS PAYABLE

At December 31, 2025, the Township has a \$2,096,924.00 N.J. Infrastructure Bank Construction Financing Loan Payable outstanding which is recorded in the General Capital Fund. The project which relates to this loan is in progress. The Township drew down \$625,982 of the loan funds in the current year. As of December 31, 2025, a cumulative total of \$1,811,897 has been drawn down for the project.

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("the Division"), and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements - *regulatory basis* - of the various funds of the Township of Vernon, in the County of Sussex (the "Township") as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements and have issued our report thereon dated May 8, 2026. These financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Report on Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2025-001, that we consider to be a significant deficiency.

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

### **Report on Compliance and Other Matters**

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

### **The Township's Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Township's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Township's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

Mount Arlington, New Jersey  
May 8, 2026

*Nisivoccia LLP*  
NISIVOCCIA LLP

*Man C Lee*

---

Man C. Lee  
Registered Municipal Accountant No. 562  
Certified Public Accountant



Mount Arlington, NJ  
 Bridgewater, NJ  
 973.298.8500  
 nisivoccia.com  
 Independent Member  
 BKR International

Report on Compliance For Each Major State Program;  
 Report on Internal Control Over Compliance Required by NJOMB 25-12

Independent Auditors' Report

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

**Report on Compliance for Each Major State Program**

***Opinion on Each Major State Program***

We have audited the Township of Vernon's (the "Township's") compliance with the types of compliance requirements identified as subject to audit in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on the Township's major state program for the year ended December 31, 2025. The Township's major state program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2025.

***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey's OMB Circular 25-12, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Our responsibilities under those standards, the Uniform Guidance and New Jersey's OMB Circular 25-12 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major state program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Township's federal and state programs.

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

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Township's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 25-12 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Township's compliance with the requirements of the major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 25-12, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Township's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Township's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey's OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

The Honorable Mayor and Members  
of the Township Council  
Township of Vernon  
Page 3

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance or New Jersey's OMB Circular 25-12. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey  
May 8, 2026

*Nisivoccia LLP*  
NISIVOCCIA LLP

*Man C Lee*

---

Man C. Lee  
Certified Public Accountant  
Registered Municipal Accountant #562

TOWNSHIP OF VERNON  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2025

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Township prepared in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey.
- A significant deficiency was disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. No material weaknesses are reported.
- No instances of noncompliance material to the financial statements of the Township which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Township was not subject to the single audit provisions of the Uniform Guidance for the year ended December 31, 2025 as federal grant expenditures were less than the single audit thresholds of \$1,000,000 identified in the Uniform Guidance.
- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by NJOMB 25-12*.
- The auditor's report on compliance for the major state program for the Township expresses an unmodified opinion on the major state program.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 25-12 or 2CFR 200.516(a) of the Uniform Guidance.
- The Township's program tested as a major state program for the current year consisted of the following state program:

	State Program No.	Award Amount	Budgetary Expenditures
<u>State Program:</u>			
New Jersey Infrastructure Bank Loans:			
Sanitary Sewerage System Improvements	S340745-03	\$ 2,096,924	\$ 625,982

- The Township was determined not to be a "low-risk" auditee for state programs.
- The threshold used for distinguishing between Type A and B state programs was \$1,000,000.

TOWNSHIP OF VERNON  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2025  
(Continued)

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

- The audit disclosed the following significant deficiency required to be reported under Generally Accepted Government Auditing Standards:

Finding 2025-001 (Repeat Finding 2024-001): Segregation of Duties

Criteria:

Concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Condition:

The Township does not maintain an adequate segregation of duties with respect to the recording and treasury functions. The various departments/offices of the Township are responsible for the issuance of permits and licenses; collection of taxes, utility charges and permit and license fees; and recording of collections.

Cause:

This is due, in part, to the limited number of personnel of the Township and the decentralized nature of governmental collection procedures.

Effect or Potential Effect:

Segregation of duties refers to separating those functions that place too much control over a transaction or class of transactions that would enable a person to perpetuate errors and prevent detection within a reasonable period of time.

Recommendation:

It is recommended that adequate segregation of duties be maintained with respect to the recording and treasury functions.

Management's Response:

The Township is aware that there is a lack of adequate segregation of duties. However, Management has determined that the increased costs and related inconvenience to the residents of the Township associated with resolving the finding are not reasonable at this time. The Township will continue to monitor this issue.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the single audit threshold.

TOWNSHIP OF VERNON  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2025

The prior year finding 2024-001 regarding the segregation of duties was not resolved. Management has determined that the increased costs and related inconvenience to the residents of the Township associated with resolving the finding are not reasonable at this time. Thus, this finding is included in the current year audit report as finding 2025-001.

TOWNSHIP OF VERNON

PART III

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2025

TOWNSHIP OF VERNON  
COMMENTS AND RECOMMENDATIONS

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

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

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

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

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

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

Effective July 1, 2020 through June 30, 2025, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$44,000 for a contracting unit with a qualified purchasing agent. Effective July 1, 2025 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$53,000 for a contracting unit with a qualified purchasing agent.

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

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

TOWNSHIP OF VERNON  
COMMENTS AND RECOMMENDATIONS  
(Continued)

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Collection of Interest on Delinquent Taxes

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

On January 15, 2025, the governing body adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

DELINQUENT TAX PAYMENTS

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

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

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

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

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

Tax Title Liens/Assessment Liens

The last tax sale was held on September 23, 2025 and was complete with respect to all items eligible for sale.

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

<u>Year</u>	<u>Number of Liens</u>
2025	913
2024	1,024
2023	1,059

The Township has numerous tax title liens and assessment liens outstanding as of December 31, 2025. Approximately 449 of the total 913 tax title liens are properties within two large property owners associations. These properties, generally, do not contribute revenue to the operations of the Township and instead act as a drain on Township resources. It is suggested that the Township consider additional foreclosure proceedings.

TOWNSHIP OF VERNON  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Tax Title Liens/Assessment Liens (Cont'd)

During our testing, it was noted that the tax title lien receivable ledger did not agree to the Township’s general ledger. It is recommended that the tax collector take extra care to ensure that tax title lien receivables are reconciled with the Treasurer’s records on a monthly basis.

Management’s Response

Extra care will be taken to ensure that tax title lien receivables are reconciled with the Treasurer’s records on a monthly basis.

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2026 Taxes	20
Payments of 2025 Taxes	20
Delinquent Taxes	15
Tax Title Liens	3
Assessment Liens	3

Municipal Court

A summary of Municipal Court transactions for the year 2025 is as follows:

RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Balance</u> <u>Dec. 31, 2024</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>Dec. 31, 2025</u>
State of New Jersey	\$ 2,176.87	\$ 26,276.34	\$ 25,174.82	\$ 3,278.39
County	1,443.00	19,750.50	19,289.50	1,904.00
Municipality		56,734.25	56,734.25	
Municipality - POAA		14.00	14.00	
Conditional Dismissal		150.00	150.00	
Conditional Discharge	62.00		62.00	
Restitution		596.38	596.38	
Weights and Measures		4,050.00	4,050.00	
Fish and Game	114.00	525.00	639.00	
Public Defender		1,562.00	1,562.00	
Forest & Parks		150.00	150.00	
Bail	1,600.00	11,570.00	12,170.00	1,000.00
	<u>\$ 5,395.87</u>	<u>\$ 121,378.47</u>	<u>\$ 120,591.95</u>	<u>\$ 6,182.39</u>

TOWNSHIP OF VERNON  
COMMENTS AND RECOMMENDATIONS  
(Continued)

Management Suggestions

Governmental Accounting Standards Board (GASB) Statements effective for Year Ending December 31, 2026

GASB Statement No. 104, Disclosure of Certain Capital Assets

Standard requires lease assets as well as subscription assets to be disclosed separately in the capital assets note disclosures. The standard also requires a disclosure for capital assets held for sale where it is probable that the sale will be finalized within one year of the financial statement date.

Governmental Accounting Standards Board (GASB) Statements effective for Year Ending December 31, 2027

GASB Statement No. 105, Subsequent Events

Standard will improve financial reporting related to subsequent events by clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events and specifying the information items that are required to be disclosed about subsequent events.

Status of Prior Year Recommendations

The prior year recommendation regarding cash counts of the Court's change funds has been resolved. The prior year recommendations regarding segregation of duties and the tax title lien receivables have not been resolved and are included as recommendations in the 2025 audit report.

TOWNSHIP OF VERNON  
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. Adequate segregation of duties be maintained with respect to the recording and treasury functions.
2. The tax collector take extra care to ensure that tax title lien receivables are reconciled with the Treasurer's records on a monthly basis.

\* \* \* \* \*