

PRELIMINARY OFFICIAL STATEMENT DATED JULY 31, 2025

NEW ISSUE

Book-Entry-Only

NOT RATED

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Township, under existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, (i) interest on the Notes (as defined herein) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel to the Township, under existing statutes, interest on the Notes is not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein for a description of certain other provisions of the Code that may affect the tax treatment of interest on the Notes for certain noteholders.

**THE TOWNSHIP OF VERNON,
IN THE COUNTY OF SUSSEX, NEW JERSEY
\$10,788,000 BOND ANTICIPATION NOTES
(NON-CALLABLE)**

Interest Rate: ____% Yield: ____% CUSIP*: _____

Dated: Date of Delivery

Due: August 21, 2026

The \$10,788,000 Bond Anticipation Notes (the "Notes") of the Township of Vernon, in the County of Sussex, New Jersey (the "Township") are payable as to principal and interest at maturity upon presentation and surrender at the office of the Chief Financial Officer of the Township (the "Paying Agent"). The Notes will be issued in the form of one certificate for the aggregate principal amount of the Notes and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, Brooklyn, New York ("DTC"), which will act as Securities Depository. See "DESCRIPTION OF THE NOTES – Book-Entry System" herein. Individual purchases of the Notes will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof.

The Notes, along with other available funds of the Township in the amount of \$475,000, are being issued to: (i) currently refund the Township's \$6,125,000 bond anticipation note issued on August 22, 2024 and maturing on August 22, 2025; (ii) to provide \$5,138,000 in new money to temporarily finance various capital improvements in and by the Township; and (iii) pay the costs of issuance of the Notes.

The Notes are not subject to redemption prior to maturity.

The Notes are valid and legally binding obligations of the Township and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the Township without limitation as to rate or amount; provided, however, that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases. See "NOTEHOLDERS' REMEDIES IN THE EVENT OF DEFAULT" and "MUNICIPAL BANKRUPTCY" herein.

The Notes are offered when, as and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of Hawkins Delafield & Wood LLP, Newark, New Jersey. Certain legal matters will be passed upon for the Township by the Township Attorney, Peter King, Esquire, of King, Moench & Collins LLP, Red Bank, New Jersey. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey has served as Municipal Advisor to the Township in connection with the issuance of the Notes. Delivery of the Notes is anticipated to take place on or about August 21, 2025.

Dated: August __, 2025

* Registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP number listed above is being provided solely for the convenience of noteholders only at the time of issuance of the Notes and the Township does not make any representation with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Notes as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Notes.

**THE TOWNSHIP OF VERNON,
IN THE COUNTY OF SUSSEX, NEW JERSEY**

MAYOR

Anthony L. Rossi

TOWNSHIP COUNCIL

Patrick Rizzuto, President
Natalie Buccieri, Vice President
Bradley Sparta
Jessica DeBenedetto
William Higgins

TOWNSHIP BUSINESS ADMINISTRATOR

Tina Kraus

TOWNSHIP CLERK

Marcy Gianattasio

CHIEF FINANCIAL OFFICER

Donelle Bright

TOWNSHIP ATTORNEY

Peter King, Esquire
King, Moench & Collins LLP
Red Bank, New Jersey

AUDITOR

Nisivoccia LLP
Mount Arlington, New Jersey

BOND COUNSEL

Hawkins Delafield & Wood LLP
Newark, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors,
a division of First Security Municipal Advisors, Inc.
Hamilton, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Township to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Township. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Township since the date hereof.

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

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

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

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**OFFICIAL STATEMENT
RELATING TO

THE TOWNSHIP OF VERNON,
IN THE COUNTY OF SUSSEX, NEW JERSEY
\$10,788,000 BOND ANTICIPATION NOTES
(NON-CALLABLE)**

INTRODUCTION

This Official Statement (the “Official Statement”), which includes the cover page hereof and the appendices hereto, has been prepared by the Township of Vernon, in the County of Sussex (the “Township”), in the State of New Jersey (the “State”) and provides certain information regarding the financial and economic condition of the Township in connection with the sale of the Township’s \$10,788,000 Bond Anticipation Notes (the “Notes”). This Official Statement has been executed by and on behalf of the Township by the Chief Financial Officer and its distribution and use in connection with the sale of the Notes have been authorized by the Township.

This Official Statement contains specific information relating to the Notes including their general description, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Township from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and, but only to the extent specifically provided herein, certain projections into the immediate future and is not necessarily indicative of future or continuing trends in the financial position of the Township.

DESCRIPTION OF THE NOTES

The following is a summary of certain provisions of the Notes. Reference is made to the Notes themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

Terms and Interest Payment Dates

The Notes will be dated the date of delivery thereof and will bear interest at the interest rate per annum set forth on the cover page hereof, payable at maturity, on August 21, 2026.

Denominations and Place of Payment

The Notes will be issued in the denominations of \$5,000 and any integral multiple of \$1,000 in excess thereof. Principal of and interest on the Notes are payable at maturity upon presentation at the office of the Chief Financial Officer of the Township in the capacity as paying agent. The Notes will be issued in registered form.

Redemption

The Notes are not subject to redemption prior to maturity.

Book-Entry System

DTC will act as securities depository for the Notes. The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Notes certificate will be issued for the Notes and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC rules applicable to its Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com or www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, redemption price and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC, the Paying Agent or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

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

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

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

Discontinuance of Book-Entry System

In the event that the book-entry system is discontinued and the Beneficial Owners become registered owners of the Notes, the following provisions shall apply: (i) the Notes may be exchanged for an equal aggregate principal amount of the Notes in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Township/Paying Agent; (ii) the transfer of any Notes may be registered on the books maintained by the Township/Paying Agent for such purposes only upon the surrender thereof to the Township/Paying Agent together with the duly executed assignment in form

satisfactory to the Township/Paying Agent; and (iii) for every exchange or registration of transfer of Notes, the Township/Paying Agent may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Notes. Interest on the Notes will be payable by check or draft mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date next preceding an Interest Payment Date.

AUTHORIZATION AND PURPOSE

The Notes have been authorized and are to be issued pursuant to the laws of the State, including the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (N.J.S.A. §40A:2-1, et seq.) (the “Local Bond Law”). The Notes are authorized by bond ordinances adopted by the governing body of the Township. Such bond ordinances, or summaries thereof, were published after their adoption along with a statement to the effect that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the accompanying bond ordinance can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and any person shall be barred from questioning the sale, execution or delivery of such obligations.

The Notes, along with other available funds of the Township in the amount of \$475,000, are being issued to: (i) currently refund the Township’s \$6,125,000 bond anticipation note issued on August 22, 2024 and maturing on August 22, 2025; (ii) to provide \$5,138,000 in new money to temporarily finance various capital improvements in and by the Township; and (iii) pay the costs of issuance of the Notes. The following table sets forth certain information with respect to the bond ordinances authorizing the Notes:

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Amount of Notes</u>
21-12	Various capital improvements, finally adopted on May 24, 2021.	\$2,934,000
22-08	Acquisition of a fire truck, finally adopted on April 11, 2022.	124,000
22-10	Various capital improvements, finally adopted on May 23, 2022.	1,290,000
23-15	Various capital improvements, finally adopted on June 12, 2023.	2,432,000
24-10	Various capital improvements, finally adopted on June 24, 2024.	2,220,000
24-23	Acquisition of DPW equipment, finally adopted on November 14, 2024.	513,000
25-09	Various capital improvements, finally adopted on June 12, 2025.	<u>1,275,000</u>
	Total:	<u>\$10,788,000</u>

SECURITY AND SOURCE OF PAYMENT

The Notes are valid and legally binding obligations of the Township and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the Township without limitation as to rate or amount; provided, however, that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases. See "NOTEHOLDERS' REMEDIES IN THE EVENT OF DEFAULT" and "MUNICIPAL BANKRUPTCY" herein.

MARKET PROTECTION

The Township does not anticipate issuing any bonds within the next ninety (90) days. The Township may issue additional bond anticipation notes, as necessary, during calendar year 2025.

CERTAIN RISK FACTORS

Coronavirus and Other Infectious Disease

The COVID-19 pandemic has affected travel, commerce, and financial markets globally, in the United States and in the State. Efforts to contain the spread of COVID-19 have reduced the spread of the virus and the restrictions put in place following the initial outbreak have been relaxed. The full impact that COVID-19 may have on the finances and operations of the Township may not be known for some time. Any resurgence of COVID-19 or subsequent outbreak of COVID-19 or another infectious disease such as the Zika virus, the Ebola virus or another similar disease, could have a material adverse effect on the Township and its financial and operational performance.

Climate

The State is naturally susceptible to the effects of extreme weather events and natural disasters, including floods, earthquakes and hurricanes, which could result in negative economic impacts on communities. Such effects can be exacerbated by a longer term shift in the climate over several decades (commonly referred to as climate change), including increasing global temperatures and rising sea levels. The occurrence of such extreme weather events could damage local infrastructure that provides essential services to the Township as well as resulting in economic impacts such as loss of ad valorem tax revenue, interruption of municipal services, and escalated recovery costs. No assurance can be given as to whether future extreme weather events will occur that could materially adversely affect the financial condition of the Township.

Cyber Security

The Township relies on a complex technology environment to conduct its various operations. As a result, the Township faces certain cyber security threats at various times including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems. To mitigate the risks of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Township has invested in multiple forms of cybersecurity and operational safeguards. In addition, the Township maintains certain insurance coverage for cyberattacks and related

events. No assurances can be given that the Township's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the Township.

SUMMARY OF CERTAIN STATUTORY PROVISIONS RELATING TO MUNICIPAL AND COUNTY DEBT AND FINANCIAL REGULATION

Set forth below is a summary of various statutory provisions and requirements relevant to the Township's debt and financial regulation and budget process. This summary does not purport to be complete, and reference should be made to the statutes referred to for a complete statement of the provisions thereof.

Legal Framework

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects financed and that bonds be retired in serial installments. A five percent (5%) cash down payment is generally required toward the financing of such projects. Generally, all bonds and notes issued by a local unit are general full faith and credit obligations.

Debt Limit

The authorized bonded indebtedness of a local unit is limited by statute, subject to the exceptions noted below, to an amount equal to three and one-half percent (3½%), in the case of a municipality, and two percent (2%), in the case of a county, of its average equalized valuation basis. The average equalized valuation basis of a local unit is set by statute as the average for the last three (3) years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries as annually determined by the State Board of Taxation.

Exceptions to Debt Limit - Extensions of Credit

Except for the funding of certain notes, the authorization of certain bonds for municipal utility purposes, if the utilities are self-liquidating, and certain formula allowances, the debt limit of a local unit may be exceeded only with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs of the State (the "Local Finance Board"), a State regulatory agency. If all or any part of a proposed debt authorization would exceed its debt limit, a local unit must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of a local unit or substantially reduce the ability of a local unit to meet its obligations or to provide essential public improvements or services, or makes other statutory determinations, approval is granted.

Short-Term Financing

Pursuant to the Local Bond Law, a local unit may sell short-term notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Any such note is designated a "bond anticipation note". Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance, as the same may be amended and supplemented, creating such capital expenditure. Bond anticipation notes, which are full faith and credit obligations of the local unit, may be issued for a period not exceeding one (1) year and may be renewed from time to time for a period

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

Assessment Bonds

Assessment bonds may be issued pursuant to the Local Bond Law in annual serial installments with the first principal payment due within two (2) years and the final principal payment due within twenty (20) years of an issue's date. No principal payment may be larger than a prior year's principal payment.

Refunding Bonds

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, temporary emergency appropriations, advance funding of pension obligations as part of an early retirement program offered by the State, the actuarial liabilities of a non-State administered public employee pension system, amounts owing to others for taxes levied and for paying the cost of issuance of refunding bonds. The Local Finance Board must consent to the authorization for the issuance of refunding bonds and approve the maturity schedule thereof; provided, however, that the issuance of refunding bonds to realize debt service savings on outstanding obligations does not require Local Finance Board approval when authorized by conditions set forth in rules and regulations of the Local Finance Board and upon a resolution adopted by a two-thirds ($\frac{2}{3}$) vote of the full membership of the governing body of the local unit.

Tax Anticipation Notes

Tax anticipation notes may be issued pursuant to the Local Budget Law (as hereinafter defined). The issuance of tax anticipation notes is limited in amount by law to collectively thirty percent (30%) of the tax levy plus thirty percent (30%) of realized miscellaneous revenues of the next preceding fiscal year. Tax anticipation notes must be paid in full within one hundred and twenty (120) days of the close of the fiscal year in which they were issued.

School Debt Subject to Voter Approval

State law permits a school district, upon approval of the voters, to authorize school district debt, including debt in excess of its independent debt limit, by using the available borrowing capacity of the municipality. If such debt is in excess of the school district's debt limit and the remaining borrowing capacity of the municipality, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters.

The Local Budget Law

The foundation of the State local finance system is the annual cash basis budget. Under N.J.S.A. §40A:4-1 et seq. (the "Local Budget Law"), every local unit must adopt an operating budget in the form required by the Division of Local Government Services in the Department of Community Affairs of the State (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget cannot be finally adopted until it is certified by the Director of the Division (the "Director"), or in the case of a local unit's examination of its own budget, such budget cannot be finally adopted until a

local examination certificate has been approved by the chief financial officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for the payment of current debt service, and the Director or, in the case of local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director must examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of preceding year, (d) reserve for uncollected taxes and (e) other reserves and non-disbursement items. Anticipated tax revenues are limited to the same proportion as actual cash collections or to the total levy in the previous year, and the reserve amount must be factored into the budget to make up for the expected shortfall in actual collections. Anticipated non-tax revenues are limited to the amount actually realized the previous year unless the Director permits higher levels of anticipation should there be sufficient statutory or other evidence to substantiate that such anticipation is reasonable.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the budgetary review functions, focusing on anticipated revenues, serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance (*i.e.*, the total of anticipated revenues must equal the total of appropriations) (N.J.S.A. §40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

Each municipality is required to forward to the County Board of Taxation (the "County Board") a certified copy of its operating budget, as adopted, not later than April 10 of the then current fiscal year. In the event that the County Board has not received a copy of the budget resolution or other evidence showing the amount to be raised by taxation for the purposes of a taxing district, the Director shall transmit to the County Board a certificate setting forth the amount required for the operation of the local unit for that fiscal year. The operating budget of the preceding year shall constitute and limit the appropriations for the then current year with suitable adjustments for debt service, other mandatory charges and changes in revenues, but excluding the amount to be raised by taxes for school purposes where required to be included in the municipal budget. The certificate shall be prepared by using the revenues and appropriations appearing in the adopted budget of the preceding year with suitable adjustments to include, without limitation: (a) any amounts required for principal and interest of indebtedness falling due in the fiscal year and (b) any deferred charges, including a deficit, if any, or statutory expenditures required to be raised in the fiscal year. See the sub caption "Tax Assessment and Collection Procedure" below.

Appropriations Not Required for Payments on Debt

It is not necessary to have an appropriation in order to release money for debt service on obligations. N.J.S.A. §40A:4-57 states that "no officer, board, body or commission shall, during any fiscal year, expend money (except to pay notes, bonds or interest thereon), incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose for which no appropriation is provided, or in excess of the amount appropriated for such purpose" (emphasis added).

Appropriation Caps

Chapter 89 of the New Jersey Laws of 1990 extended and amended Chapter 203 of the New Jersey Laws of 1986 and Chapter 68 of the New Jersey Laws of 1976 (N.J.S.A. §40A:4-45.3), commonly referred to as the "CAP Law". The CAP Law places limits on county tax levies and municipal expenditures. This limitation is commonly referred to as a "CAP". The actual calculation of the CAP is

somewhat complex and the actual CAP computations are prepared by the Division and distributed to each municipality. In addition to the CAP increase in expenditures, other increases allowable include increases funded by increased service fees, proceeds from the sale of municipal assets and increased expenditures mandated by State and federal laws. Appropriations for items excluded from the CAP computation, including debt service requirements, may be set at any necessary level and are not subject to the CAP. The CAP may be exceeded if approved by referendum of the voters of the municipality.

In summary, in determining the CAP for each budget year, the prior year's total general appropriations are reduced by certain statutory-type appropriations with the resulting balance multiplied by two and one-half percent (2½%) or the cost-of-living adjustment (the rate of annual percentage increase, rounded to the nearest half-percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services, computed and published quarterly by the United States Department of Commerce) (the "Cost-of-Living Adjustment"), whichever is less, thereby producing the basic CAP, which then may be increased by certain known increases in revenues and State or federal expenditures mandated after July 18, 1976. A municipality may, by the adoption of an ordinance, elect to increase its final appropriations by a percentage up to, but not to exceed, three and one-half percent (3½%). A municipality may, by referendum, increase its final appropriations by a higher percentage rate.

Property Tax Levy Cap

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

Miscellaneous Revenues

A provision in the Local Budget Law (N.J.S.A. §40A:4-26) provides that: "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the [Director] shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit".

In addition, budget amendments must be approved by the Director, except federal and State categorical grants-in-aid contracts may be realized for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar fiscal year. However, grant revenue is generally not realized until received in cash.

Real Estate Taxes

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

N.J.S.A. §40A:4-41 provides, with regard to current taxes, that: “[r]eceipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year”.

This provision and N.J.S.A. §40A:4-40 require that an additional amount, commonly known or referred to as the “reserve for uncollected taxes”, be added to the tax levy required to balance the budget so that when the percentage of the prior year’s tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

The levy required to balance the budget, divided by the prior year’s percentage of current tax collection (or lesser percent) levied, will equal the total taxes to be levied for the current fiscal year.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey authorizes any municipality to sell its “total property tax levy” to the highest responsible bidder therefor in accordance with the procedures and limitations set forth therein.

Upon the filing of certified adopted budgets by (i) a local governmental unit, (ii) a local and/or a regional school district, (iii) the county in which the local governmental unit is situated and (iv) any special improvement districts within the local governmental unit, the current year’s tax rate is struck by a county’s board of taxation based upon the amount of taxes required in each taxing district to fund the respective budgets.

Emergency Appropriations/Deferral of Current Expenses

Emergency appropriations made under N.J.S.A. §40A:4-46, after the adoption of the budget and the determination of the tax rate, may be authorized by a local unit. However, with minor exceptions set forth below, such appropriations must be included in full in the following year’s budget. When such appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated *quasi*-capital projects (“special emergencies”) such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the

construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this clause (ii) may be amortized over five (5) years. N.J.S.A. §40A:4-53, -54, -55 and -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Under the CAP Law, emergency appropriations aggregating less than three percent (3%) of the previous year's final current operating appropriations may be raised in the portion of the local unit's budget outside the CAP if approved by at least two-thirds ($\frac{2}{3}$) of the members of the governing body and the Director. Emergency appropriations that aggregate more than three percent (3%) of the previous year's final current operating appropriations must be raised within the CAP. Emergency appropriations for debt service, capital improvements, the local unit's share of federal or State grants and other statutorily permitted items are outside the CAP.

Budget Transfers

Budget transfers provide a local unit with a degree of flexibility and afford a control mechanism over expenditure needs. Transfers between major appropriation accounts are prohibited by N.J.S.A. §40A:4-58 until the last two (2) months of the fiscal year. Appropriation reserves may also be transferred during the first three (3) months of the year to the previous year's budget (N.J.S.A. §40A:4-59). Both types of transfers require a two-thirds ($\frac{2}{3}$) vote of the full membership of the governing body. However, no transfers may be made (a) to appropriations for contingent expenses, deferred charges or emergency appropriations or (b) from appropriations for contingent expenses, deferred charges, cash deficits of the preceding year, reserve for uncollected taxes, down payments, the capital improvement fund or interest and redemption charges. Although budget transfers among subaccounts (line items) within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Municipal Public Utilities

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

Capital Budget

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than the next ensuing six (6) years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next three (3) or six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or by the annual operating budget if the items were detailed.

Fiscal Year Adjustment Law

Chapter 75 of the Pamphlet Laws of 1991, signed into law on March 28, 1992, requires certain municipalities and permits all other municipalities to adopt the State fiscal year in place of the existing calendar fiscal year (N.J.S.A. §40A: 4-3.1). Municipalities that change fiscal years must adopt a six (6) month transition budget for January to June. Since expenditures would be expected to exceed revenues primarily because State aid for the calendar year would not be received by the municipality until after the end of the transition year budget, the law authorizes the issuance of fiscal year adjustment bonds to fund the one time deficit for the six (6) month transition budget (N.J.S.A. §40A:2-51.2). The law provides that the deficit in the six (6) month transition budget may be funded initially with bond anticipation notes based on the estimated deficit in the six (6) month transition budget. Notes issued in anticipation of fiscal year adjustment bonds, including renewals, can only be issued for up to one (1) year unless the Local Finance Board permits the municipality to renew them for a longer period of time. The Local Finance Board must confirm the actual deficit experienced by the municipality. The municipality then may issue fiscal year adjustment bonds to finance the deficit on a permanent basis. The purpose of the law is to assist municipalities that are heavily dependent on State aid and that have had to issue tax anticipation notes to fund operating cash flow deficits each year. While the law does not authorize counties to change their fiscal years, it does provide that counties with cash flow deficits may issue fiscal year adjustment bonds as well.

State Supervision

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law (as hereinafter defined) which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring a cash deficit.

Tax Assessment and Collection Procedure

A local governmental unit is the entity responsible for the levying and collection of taxes on all taxable property within its borders, including the tax levies for the county and the school district. The levying of taxes is for a fiscal year, which starts July 1 and ends June 30. The collection of taxes to support a local governmental unit's current budget requirement is based upon a calendar year, January 1 to December 31.

Property taxes are based on a municipality's assessor's valuation of real property, as confirmed by the tax board of the county in which a municipality is situated. The taxes for municipal, local and regional school districts and a county cover the current calendar year. Turnover of the tax moneys by a municipality to a school district are based on school needs and are generally made on a periodic basis throughout the year with any balance transferred by June 30 (the end of the school district's fiscal year). A municipality remits one hundred percent (100%) of the county taxes, payable quarterly on the fifteenth days of February, May, August and November.

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the municipality's local school district and the county, the tax rate is struck by the County Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provisions for the assessment of property, the levying of taxes and the collection of taxes are set forth in N.J.S.A. §54:4-1 et seq. Special taxing districts are permitted for various special services rendered to the properties located within the special districts.

Tax bills are sent in June of the current fiscal year. Taxes are payable in four (4) quarterly installments on the first days of February, May, August and November. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined by the municipal governing body as either one-quarter ($\frac{1}{4}$) or one-half ($\frac{1}{2}$) of the full tax levied for municipal, county and school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) per annum on the first \$1,500 of the delinquency and eighteen percent (18%) per annum on any amount in excess of \$1,500. The governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent (6%) of the amount of the delinquency. These penalties and interest rates are the highest permitted under State statutes. Delinquent taxes open for one (1) year or more are annually included in a tax sale in accordance with State statutes.

Tax Appeals

State statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. Prior to the first day of February in each year, a municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board on or before the first day of April of the current tax year for its review. The County Board has the authority after a hearing to increase, decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer believes the petition was unsatisfactorily reviewed by the County Board, appeal of the decision may be made to the Tax Court of New Jersey for further hearing. Tax Court of New Jersey appeals tend to take several years to conclude by settlement or trial and any losses in tax collections from prior years, after an unsuccessful trial or by settlement, are charged directly to operations or with the permission of the Local Finance Board, may be refinanced, generally over a three (3) to five (5) year period.

The Local Fiscal Affairs Law

N.J.S.A. §40A:5-1 et seq. (the "Local Fiscal Affairs Law") regulates the nonbudgetary financial activities of local governments. The chief financial officer of every local unit must file annually with the Director a verified statement of the financial condition of the local unit and all constituent boards, agencies and commissions.

An independent examination of the local unit's accounts must be performed annually by a State licensed registered municipal accountant. The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvements of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of its completion.

A local unit's funds are invested strictly in accordance with the provisions of the Local Fiscal Affairs Law, in particular N.J.S.A. §40A:5-12.1. A local unit is not authorized to invest funds in derivative products or reverse repurchase agreements.

Basis of Accounting

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

Basis of Accounting - A modified accrual basis of accounting is followed, with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from the State. Expenditures are recorded on the accrual basis. Appropriation reserves covering unexpended appropriation balances are automatically created on December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred or entered into during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

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

Fixed Assets - Property and equipment purchased through the Current Fund and the General Capital Fund are recorded as expenditures at the time of purchase and are not capitalized.

A local unit finances its operations primarily through the Current Fund. All tax receipts and most revenues are paid into the Current Fund and substantially all expenditures made by appropriations are paid from the Current Fund.

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

NOTEHOLDERS' REMEDIES IN THE EVENT OF DEFAULT

Neither the Notes nor the proceedings with respect thereto specifically provide any remedies to the noteholders if the Township defaults in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the noteholders upon the occurrence of such default. Upon any default in the payment of the principal of or interest on a Bond, a noteholder could, among other things, seek to obtain a writ of mandamus from a court of competent jurisdiction requiring the Township to levy and collect a tax upon all taxable property within the Township, without limitation as to rate or amount, sufficient to pay when due the principal of and

interest on the Notes as the same shall come due. The mandamus remedy, however, may be impractical and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies. See the caption “MUNICIPAL BANKRUPTCY” herein.

MUNICIPAL BANKRUPTCY

Any county, municipality, school district or other political subdivision of the State has the power to file a petition with any United States court or courts in bankruptcy under the federal bankruptcy act for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts, provided that the approval of the Municipal Finance Commission of New Jersey has been obtained. The powers of the Municipal Finance Commission of New Jersey have been vested in the Local Finance Board.

Bankruptcy proceedings by the Township could have adverse effects on the noteholders including (1) delay in the enforcement of their remedies, (2) subordination of their claims to those supplying goods and services to the Township after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes. The federal bankruptcy act contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors, such as the holders of general obligation indebtedness or the Notes, such creditors will have the benefit of their original claim or the “indubitable equivalent”. The effect of these and other provisions of the federal bankruptcy act cannot be predicted and may be significantly affected by judicial interpretation.

The above references to the federal bankruptcy act are not to be construed as an indication that the Township expects to resort to the provisions of the federal bankruptcy act or that, if it did, such action would be approved by the Municipal Finance Commission.

NO DEFAULT

There is no record of default in the payment of principal of or interest on bonds or notes of the Township.

ABSENCE OF MATERIAL LITIGATION

In the opinion of the Township Attorney, Peter King, Esquire, of King, Moench & Collins LLP, Red Bank, New Jersey (the “Township Attorney”), to their knowledge, there is no litigation of any nature now pending or threatened restraining or enjoining the issuance or delivery of the Notes or the levy or collection of any taxes to pay the interest on or principal of the Notes, or in any manner questioning the authority or proceedings for the issuance of the Notes or for the levy or collection of said taxes, or relating to the Notes or affecting the validity thereof or the levy or collection of said taxes, and neither the corporate existence or boundaries of the Township nor the title of any of the present officers thereof to their respective offices is being contested, and no authority or proceedings for the issuance of the Notes has or have been repealed, revoked or rescinded. A signed statement to that effect will be supplied upon delivery of the Notes. In the opinion of the Township Attorney, there is no litigation pending or, to their knowledge, threatened against the Township which if adversely decided would have a material adverse effect on the financial condition of the Township or which is not otherwise adequately covered by Township insurance.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Township, under existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however interest on the Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Township in connection with the Notes, and Bond Counsel has assumed compliance by the Township with certain provisions and procedures set forth in the Arbitrage and Use of Proceeds Certificate of the Township to be delivered in connection with the issuance of the Notes.

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

Bond Counsel expresses no opinion regarding any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any future action, taken or not taken, any fact or circumstance that may come to its attention, or any change in law or interpretation thereof, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

Certain Ongoing Federal Tax Requirements and Covenants

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

Certain Collateral Federal Tax Consequences

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

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

Information Reporting and Backup Withholding

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

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

Note Premium

In general, if an owner acquires the Notes for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Notes after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "note premium" on that Note (a "Premium Note"). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner's yield over the remaining term of the Premium Note determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note). An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a

nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of Premium Notes.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) and such decisions could affect the market price or marketability of the Notes.

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Notes **will not** be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

SECONDARY MARKET DISCLOSURE

In order to assist the purchaser in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Township has undertaken to provide to the Municipal Securities Rulemaking Board (the "MSRB"), in a timely manner not in excess of ten (10) business days after the occurrence of the specified event, the notices required to be provided by Rule 15c2-12 and described below (the "Notices").

The Notices include notices of any of the following events with respect to the Notes: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax-exempt status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) Note calls (other than mandatory sinking fund redemptions), if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Township; (13) the consummation of a merger, consolidation or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined in Rule 15c2-12) of the Township, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar items of a financial obligation of the Township, any of which

affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Township, any of which reflect financial difficulties.

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

The undertaking may be amended or modified without consent of the holders of the Notes under certain circumstances set forth in the undertaking. Copies of the undertaking when executed by the Township upon the delivery of the Notes will be on file at the office of the Township Clerk.

The Township has previously entered into secondary market disclosure undertakings in accordance with Rule 15c2-12. The Township appointed Phoenix Advisors, Hamilton, New Jersey to serve as continuing disclosure agent to assist in the filing of certain information with the MSRB as required under its prior secondary market disclosure undertakings.

UNDERWRITING

The Notes have been purchased from the Township at a public sale by _____ (the "Underwriter") at a price of \$ _____. The Underwriter intends to offer the Notes to the public initially at the offering yield set forth on the front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Notes to the public. The Underwriter may offer and sell Notes to certain dealers (including dealers depositing Notes into investment trusts) at a yield higher than the public offering yield set forth on the front cover page, and such public offering yield may be changed, from time to time, by the underwriter without prior notice.

MUNICIPAL ADVISOR

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Township in connection with the issuance of the Notes (the "Municipal Advisor") and has assisted in matters related to the planning, structuring and terms of the Notes. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the Appendices hereto. The Municipal Advisor is an Independent Registered Municipal Advisor pursuant to the Dodd-Frank Act and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters relating to the authorization, the issuance, the sale and the delivery of the Notes are subject to the approval of Hawkins Delafield & Wood LLP, Newark, New Jersey, Bond Counsel to the Township, whose approving opinion will be delivered with the Notes substantially in the form set forth in Appendix C hereto. Certain legal matters will be passed upon for the Township by the Township Attorney.

FINANCIAL STATEMENTS

The audited financial statements of the Township for the years ended December 31, 2024 and 2023 are presented in Appendix B to this Official Statement (the “Financial Statements”). The Financial Statements have been audited by Nisivoccia LLP, Mount Arlington, New Jersey, independent certified public accountants (the “Auditor”), as stated in their Independent Auditors’ Report appearing in Appendix B hereto. See “APPENDIX B – Financial Statements of the Township”.

PREPARATION OF OFFICIAL STATEMENT

The Chief Financial Officer of the Township will confirm to the Underwriter, by certificate signed by the Chief Financial Officer, that to the knowledge of the Chief Financial Officer the descriptions and statements relating to the Township herein, as of the date of this Official Statement and as of the date of delivery of the Notes, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such descriptions and statements, in light of the circumstances under which they were made, not misleading.

The Municipal Advisor has participated in the preparation and review of the information contained in this Official Statement, including the collection of financial, statistical and demographic information; however, it has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto. Certain information set forth herein has been obtained from the Township and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized.

The Auditor takes responsibility for the financial statements to the extent specified in the Independent Auditor’s Report as presented in Appendix B.

Bond Counsel and the Township Attorney have not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, express no opinion with respect thereto.

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Donelle Bright, Chief Financial Officer, Township of Vernon, 21 Church Street, Vernon, New Jersey 07462, (973) 764-4055 or to its Municipal Advisor, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 2000 Waterview Drive, Suite 101, Hamilton, New Jersey, telephone (609) 291-0130.

MISCELLANEOUS

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

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as part of any contract with the holders of the Notes.

This Official Statement has been duly executed on behalf of the Township by its Chief Financial Officer.

**THE TOWNSHIP OF VERNON,
IN THE COUNTY OF SUSSEX, NEW JERSEY**

By: _____
Donelle Bright
Chief Financial Officer

Dated: August __, 2025

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APPENDIX A

GENERAL INFORMATION REGARDING THE TOWNSHIP

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INFORMATION REGARDING THE TOWNSHIP¹

The following material presents certain economic and demographic information of the Township of Vernon (the “Township”), in the County of Sussex (the “County”), State of New Jersey (the “State”).

General Information

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

Originally two (2) railroads, the Sussex Railroad and the Warwick Valley Railroad, served the area principally for the rich iron ore deposits in the Wawayanda Mountain. Today, the New York, Susquehanna & Western Railroad has trackage available for freight transportation. State Route 94 and County Routes 515, 517, and 565 are the principal highways serving the Township, all generally in a north to south direction.

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

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

Type of Government

Effective July 1, 2011, the Township government changed from a Council/Manager form of Government to a Faulkner Act Council/Mayor form of Government. The Township Council consists of five (5) members elected to four (4) year terms on a staggered basis. The Mayor is selected by the voters for a four (4) year term. The Township Council is the legislative and

¹ Source: The Township, unless otherwise indicated.

policy making body of the Township. Township Council members also serve on various Township boards and committees as part of their elected responsibility.

In addition, the mayor is the Township's chief executive and administrator, and is accountable to the Township Council for the operations of the Township and may be removed by a majority vote of the Township Council.

Police Department

The police department consists of a Chief of Police, one (1) Captain, two (2) Lieutenants, five (5) Sergeants, twenty-four (24) uniformed officers, five (5) dispatchers and three (3) clerical staff.

Fire Department

There are four (4) firehouses in various locations throughout the Township manned by approximately 120 fire volunteers.

Ambulance Squads

There are two (2) ambulance squads operated by approximately 100 volunteers.

Department of Public Works

The Department of Public Works (the "DPW") is responsible for the maintenance of Township property, buildings, roads, the site for the collection of recyclable materials and removal of snow. Personnel consist of one (1) Director of Public Works, one (1) Assistant Director of Public Works, one (1) Director of Automotive Services, three (3) Public Works Assistant Supervisors, one (1) clerical and approximately twenty-five (25) other personnel.

Library Facilities

The Dorothy E. Henry Memorial Library, a part of the Sussex County Library System, contains approximately 20,000 volumes, various reference books, audio and video cassettes and records. The library also subscribes to ninety (90) periodicals. There is also a meeting room.

Recreational Facilities

Public recreational facilities include six (6) Township maintained parks: Veterans Memorial Park, Vernon Town Center Pump Track, Old Orchard, Maple Grange Park, Vernon Town Center Bike and Walking Trail and St. Francis Facility. At the Veterans Memorial Park are several baseball diamonds, soccer, football, basketball courts and snack bar facility. Vernon Town Center Pump Track has a state-of-the-art paved bicycle pump track. Old Orchard has a soccer field. St. Francis has two (2) fields used for soccer and lacrosse. Maple Grange Park consists of three (3) artificial turf fields used for soccer, football and lacrosse, as well as

basketball courts, snack bar facility, walking path with handicapped accessible training equipment and a large playground.

Most recently, the Township constructed a trail system that links the municipal building to businesses along Route 94. It traverses a stunning scenic view of Vernon Valley and creates a walkable Vernon Town Center to enhance business growth and development. This trail is proposed to be connected to another trail that travels up to Mountain Creek, which offers mountain biking, zip lining and other seasonal recreational activities.

Utilities – Telephone, Electricity, Gas, Water

Telephone service is provided by various vendors. Electricity is provided by J.C.P.L., and Sussex Rural Electric Co-op. Gas is provided by Elizabethtown Gas Company. Water is obtained from groundwater either through individually operated wells or a number of small privately owned public community water companies which operate wells. Veolia is the largest water company, servicing approximately 1,200 condo units, Mountain Creek and several smaller systems moving into Vernon Town Center. The Township recently approved an agreement with Veolia to utilize American Rescue Plan funding from the federal government to upgrade water access and bring additional drinking water capacity to the Town Center. This additional capacity will allow for growth and development within the Town Center business district.

Wastewater

Wastewater is disposed of by individually operated sewer septic systems, except for the 1,200 condominiums, other facilities in Great Gorge Village, Mountain Creek and Township Center Facilities which are connected to the Vernon Township Municipal Utilities Authority (“VTMUA”) that carries wastewater to the Sussex County Municipal Utilities Authority’s (“SCMUA”) sewer collection system. The School District operates two (2) sewage treatment plants that serve four (4) schools. The Legends Resort Hotel and Golf Course is also served by a sewage treatment plant. All of these sewage treatment plants operate under permits and inspections from the NJ Department of Environmental Protection.

Solid Waste

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

Mountain Creek

Mountain Creek is a year-round resort development located in the Township. In 2019/2020 the resort was purchased by the principals of Snow Creek, the highly accomplished ski developers and operators who own the first indoor snow park in North America at the American Dream Meadowlands. Since 2010 there has been over \$20,000,000 of capital improvements at the resort including three (3) surface lifts, 30 lane tubing hill and new peak to

peak lift installations. There have also been considerable upgrades and maintenance issues addressed since Snow Creek took over operations prior to Mountain Creek's sale.

Mountain Creek's attractions are for all ages, lifestyles and are enjoyed throughout the four (4) seasons. In addition to traditional winter activities (i.e., skiing, snowtubing, snowboarding, etc.), the spring, summer, and fall operations at Mountain Creek include extensive recreational activities. These attractions include Mountain Creek's water park, extensive mountain biking tracks, an annual Oktoberfest and July 4th festival, and hiking/biking trails. They are integral in working with the Township's Recreation Department and Police Athletic League as well to ensure quality programs for residents.

Mountain Creek has plans for expansion and is actively engaged with the Township for future development including potable water expansion, recreational activities, hotel/short term rental accommodations and a revamping of their Alpine village, home to small vendor businesses that are open throughout the season.

Sewer System Expansion

The Township has endeavored to provide sewer service to the Vernon Town Center so as to encourage development and increase the Township's tax base. The majority of the commercial properties in the Vernon Town Center are in a redevelopment area. In addition, the upper portion of the Mountain Creek ski area is also in the Vernon Town Center and will benefit from the expansion of the sewer system. Mountain Creek has approval for up to 1,400 additional residential units and 100,000 square feet of commercial/conference space. The Township has created an active recreational facility in the Vernon Town Center, inclusive of a trail system extension and a bike pump track.

In order to enable development, the Township entered into agreements with SCMUA and Mountain Creek in 2005 to expand the sewer system. This sewer system expansion provides an additional sewer processing capacity of 265,000 GPD to the Vernon Town Center, of which the Township is entitled to 99,000 GPD with the remaining 166,000 being allocated to Mountain Creek with the construction of a 1,500 lineal foot section of sewer transmission pipe. This portion of the construction has been completed.

Separately, in 2012, the Township purchased the sewer transmission assets from United Water Company (now Veolia). The VTMUA, formed in 2012, manages the sewer utility for the Township.

SCMUA expanded its sewer plant and provided additional sewer capacity from its treatment plant, with SCMUA paying for the upgrade of their infrastructure and passing the cost to the Township (approximately \$21,000,000). The Township, in turn, passed 67% of the debt service to Mountain Creek and their proportional share of the sewer processing charges. To offset the cost of the SCMUA sewer system expansion, the Township guarantees the annual revenue (sewer fees) to SCMUA at 461,000 GPD. The Township in turn passes certain costs to Mountain Creek, pursuant to an agreement with Mountain Creek. This pass through of costs to

Mountain Creek includes 67% of the debt service attributable to the sewer system expansion and included in the annual sewer charge.

In 2019, two (2) years after Mountain Creek filed for bankruptcy under its former owners, the Township, the VTMUA and Mountain Creek came to a mutual settlement agreement to ensure guarantees of payment for bonded debt from 2008 as well as sewer obligations through the SCMUA agreements. Mountain Creek, now majority owned by Snow Creek/Snow Operating (owners and operators of global ski/snow recreational facilities including the first indoor facility in North America), entered into an agreement that includes a letter of credit and tax lien on the property for all payments owed to the Township. Fees are paid to the Township on a quarterly basis originating from a municipal fee on top of ticket sales at the business. By December 31, 2019, Mountain Creek was paid in full for outstanding balances originating from 2018 and 2019. Since then, Mountain Creek has made full and timely payments for all obligations owed each year. The 2019 settlement agreement between all parties ensures guaranteed payment for these sewer obligations moving forward into perpetuity.

Also, the Township is embarking on a \$4.4 million project to expand its sewer system to allow for additional connections to support its ongoing redevelopment initiatives. Approximately \$3.5 million of the cost will be supported by federal dollars given to the Township through the Community Project Funding allocated by the 2023 Federal Congressional Budget. Such ongoing redevelopment initiatives include approximately 208 residential units along Route 94 and approximately 55 residential units in the Vernon Town Center, among other projects. The Township is also in its final stages of going through amendments to its sewer service area to expand into areas not currently serviced by the sewer system.

Pension and Retirement Systems

Substantially all eligible employees participate in the Public Employees' Retirement System, the Police and Firemen's Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits (the "Division"). Benefits, contributions, means of funding and the manner of administration are established pursuant to State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625 or is available online at www.nj.gov/treasury/pensions/financial-reports.shtml.

The Public Employees' Retirement System ("PERS") is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not

required to be a member of another State-administered retirement system or other State pension fund or local jurisdiction's pension fund.

The Police and Firemen's Retirement System ("PFRS") is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time county and municipal police and firemen or officer employees with police powers appointed after June 30, 1944.

The Defined Contribution Retirement Program ("DCRP") is a multiple-employer defined contribution pension fund which was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Township, the County, and the State:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2024	13,418	12,844	574	4.3%
2023	13,334	12,793	541	4.1%
2022	13,060	12,548	512	3.9%
2021	12,723	11,882	841	6.6%
2020	12,698	11,473	1,225	9.6%
<u>County</u>				
2024	81,046	77,594	3,452	4.3%
2023	80,527	77,286	3,241	4.0%
2022	78,827	75,868	2,959	3.9%
2021	76,917	72,132	4,785	6.2%
2020	76,418	69,506	6,912	9.0%
<u>State</u>				
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%
2020	4,643,700	4,204,301	439,399	9.5%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2023)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$113,439	\$114,316	\$101,050
Median Family Income	126,610	134,187	123,892
Per Capita Income	54,234	56,471	53,118

Source: US Bureau of the Census, 2023 American Community Survey 5-Year Estimates

Population

The following tables summarize population increases and the decreases for the Township, the County, and the State.

	<u>Township</u>		<u>County</u>		<u>State</u>	
<u>Year</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2024 est.	22,879	2.33%	147,444	2.23%	9,500,851	2.28%
2020	22,358	-6.62	144,221	-3.38	9,288,994	5.65
2010	23,943	-3.01	149,265	3.54	8,791,894	4.49
2000	24,686	16.38	144,166	10.10	8,414,350	8.85
1990	21,211	30.11	130,943	12.77	7,730,188	4.96

Source: United States Department of Commerce, Bureau of the Census

Labor Contracts

<u>Type of Employee</u>	<u>Union</u>	<u>Contract Expiration</u>
Policemen	PBA Local #285	12/31/28
Clerical/Dispatchers	UAW Local #2326	12/31/29
D.P.W. Personnel	AFSCME #3181	12/31/24

Source: Township

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Largest Taxpayers

The ten largest taxpayers in the Township and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2024 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Mountain Creek	\$21,723,100	0.57%
Vernon Valley Investors	13,813,200	0.36%
Tennessee Pipe Line Co.	13,471,700	0.35%
Metairie Corp.	13,048,100	0.34%
City of Newark Division Sewer/Water	7,450,100	0.19%
Minerals Resort & Spa Spe, LLC	5,579,200	0.15%
DGS Vernon Vortex, LLC	4,917,600	0.13%
Vernon Valley Reserve	4,674,400	0.12%
Highland Lakes Country Club	3,979,700	0.10%
HM GG, LLC	<u>3,720,000</u>	<u>0.10%</u>
Total	<u>\$92,377,100</u>	<u>2.41%</u>

Source: Annual Comprehensive Financial Report of the School District & Municipal Tax Assessor

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Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2024	\$83,126,827	\$80,525,424	96.87%
2023	80,500,064	77,825,912	96.67%
2022	79,360,869	76,904,548	96.90%
2021	77,434,490	74,652,465	96.40%
2020	75,373,981	72,320,306	95.94%

Source: Annual Audit Reports

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2024	\$7,697,022	\$1,824,740	\$9,521,762	11.45%
2023	7,220,383	1,854,144	9,074,527	11.27%
2022	6,537,214	1,645,063	8,182,277	10.31%
2021	5,943,312	2,009,306	7,952,618	10.27%
2020	5,137,998	2,429,940	7,567,937	10.04%

Source: Annual Audit Reports

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2024	\$9,364,885
2023	9,364,885
2022	9,364,885
2021	12,147,485
2020	12,147,485

Source: Annual Audit Reports

Tax Rates per \$100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for Township residents for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2024	\$0.555	\$1.409	\$0.477	\$2.441
2023	0.612	1.462	0.519	2.593
2022	0.675	1.584	0.560	2.819
2021	0.771	1.774	0.598	3.143
2020R	0.745	1.787	0.598	3.130

*Since 2020, the Township has been participating in an annual reassessment program.

R: Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2024	\$3,397,512,200	\$3,837,262,480	88.54%	\$2,374,712	\$3,839,637,192
2023	3,097,669,000	3,461,856,281	89.48	2,326,708	3,464,182,989
2022	2,805,181,600	3,102,733,768	90.41	2,326,708	3,105,060,476
2021	2,457,194,600	2,755,011,324	89.19	2,450,067	2,757,461,391
2020R	2,402,779,700	2,546,666,349	94.35	2,436,219	2,549,102,568

R: Revaluation

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Township for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2024	\$59,555,000	\$3,085,778,200	\$44,266,900	\$169,184,200	\$35,768,600	\$2,959,300	\$3,397,512,200
2023	62,139,100	2,799,743,900	41,199,000	157,551,600	34,375,400	2,660,000	3,097,669,000
2022	57,834,100	2,530,421,100	37,623,900	145,785,900	30,974,400	2,542,200	2,805,181,600
2021	53,640,600	2,196,817,500	34,699,400	139,868,100	29,770,400	2,398,600	2,457,194,600
2020R	52,154,700	2,120,869,900	35,627,800	163,285,500	28,334,300	2,507,500	2,402,779,700

R: Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Township's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Fund Balance Utilized	\$625,000	\$900,000	\$2,065,000	\$1,750,000	\$1,650,000
Miscellaneous Revenues	6,412,095	7,864,542	7,916,782	9,095,546	8,810,516
Receipts from Delinquent Taxes	1,800,000	2,075,000	2,075,000	1,600,000	1,800,000
Amount to be Raised by Taxation	<u>18,975,395</u>	<u>18,975,458</u>	<u>18,975,218</u>	<u>18,882,454</u>	<u>20,172,839</u>
Total Revenue:	<u>\$27,812,490</u>	<u>\$29,815,000</u>	<u>\$31,032,000</u>	<u>\$31,328,000</u>	<u>\$32,433,355</u>
<u>Appropriations</u>					
General Appropriations	\$15,756,805	\$19,083,922	\$19,756,406	\$20,454,583	\$21,258,844
Operations (Excluded from CAPS)	2,144,543	2,782,791	3,668,440	3,179,938	3,334,690
Deferred Charges and Statutory Expenditures	2,419,500	200,000	0	0	0
Transferred to Board of Education	0	0	0	0	0
Capital Improvement Fund	658,000	1,578,850	1,831,350	1,530,750	1,739,050
Municipal Debt Service	3,720,290	3,328,357	3,284,220	3,415,380	3,416,325
Reserve for Uncollected Taxes	<u>3,113,352</u>	<u>2,841,080</u>	<u>2,491,584</u>	<u>2,747,349</u>	<u>2,684,446</u>
Total Appropriations:	<u>\$27,812,490</u>	<u>\$29,815,000</u>	<u>\$31,032,000</u>	<u>\$31,328,000</u>	<u>\$32,433,355</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

Fund Balance - Current Fund

	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2024	\$6,777,194	\$1,650,000
2023	6,673,197	1,750,000
2022	7,955,719	2,065,000
2021	6,826,077	900,000
2020	4,457,994	625,000

Source: Annual Audit Reports

Township Indebtedness as of December 31, 2024

General Purpose Debt

Serial Bonds	\$15,525,000
Bond Anticipation Notes	8,361,924
Bonds and Notes Authorized but Not Issued	6,998,119
Other Bonds, Notes and Loans	<u>408,977</u>
Total:	\$31,294,020

Local School District Debt

Term Bonds	\$2,340,000
Serial Bonds	0
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$2,340,000

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$0

TOTAL GROSS DEBT

\$33,634,020

Less: Statutory Deductions	
General Purpose Debt	\$423,159
Local School District Debt	2,340,000
Self-Liquidating Debt	<u>0</u>
Total:	\$2,763,159

TOTAL NET DEBT

\$30,870,861

Source: Annual Audit Report of the Township

Overlapping Debt (as of December 31, 2024)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$2,340,000	100.00%	\$2,340,000
County	85,914,061	14.80%	<u>12,712,602</u>
Net Indirect Debt			\$15,052,602
Net Direct Debt			<u>30,870,861</u>
Total Net Direct and Indirect Debt			<u>\$45,923,463</u>

Debt Limit

Average Equalized Valuation Basis (2022, 2023, 2024)	\$3,467,284,176
Permitted Debt Limitation (3 1/2%)	121,354,946
Less: Net Debt	<u>30,870,861</u>
Remaining Borrowing Power	<u>\$90,484,085</u>
Percentage of Net Debt to Average Equalized Valuation	0.890%
Gross Debt Per Capita based on 2020 population of 22,358	\$1,504
Net Debt Per Capita based on 2020 population of 22,358	\$1,381

Source: Annual Audit Report of the Township

Litigation

The status of pending litigation is included in the Notes to Financial Statements of the Township's annual audit report.

² Township percentage of County debt is based on the Township's share of total equalized valuation in the County.

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APPENDIX B

FINANCIAL STATEMENTS OF THE TOWNSHIP

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TOWNSHIP OF VERNON

COUNTY OF SUSSEX

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2024 AND 2023

TOWNSHIP OF VERNON
FINANCIAL STATEMENTS
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Independent Auditors' Report

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

Report on the 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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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 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.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the Township implemented GASB Statement No. 101, *Compensated Absences*, during the year ended December 31, 2024. Our opinions are not modified with respect to this matter.

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.

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2024	2023
<u>ASSETS</u>		
Regular Fund:		
Cash - Treasurer	\$ 12,372,354.26	\$ 13,600,378.87
Change Funds	870.00	870.00
Due from State of New Jersey:		
Senior Citizen and Veteran Deductions	55,819.55	58,819.55
	<u>12,429,043.81</u>	<u>13,660,068.42</u>
Receivables and Other Assets With Full Reserves:		
Delinquent Property Taxes Receivable	1,824,739.62	1,854,143.60
Tax Title Liens Receivable	7,697,022.14	7,220,383.06
Property Acquired for Taxes at Assessed Valuation	9,364,885.00	9,364,885.00
Revenue Accounts Receivable	4,612.60	
Due from Vernon Township MUA	220,040.83	220,040.83
Due from Animal Control Fund	1,200.00	
Total Receivables and Other Assets With Full Reserves	<u>19,112,500.19</u>	<u>18,659,452.49</u>
Total Regular Fund	<u>31,541,544.00</u>	<u>32,319,520.91</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	1,045,519.30	841,750.88
Due from Current Fund	601,821.12	627,390.96
	<u>1,647,340.42</u>	<u>1,469,141.84</u>
<u>TOTAL ASSETS</u>	<u>\$ 33,188,884.42</u>	<u>\$ 33,788,662.75</u>

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

	December 31,	
	2024	2023
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Regular Fund:		
Appropriation Reserves:		
Unencumbered	\$ 1,193,644.80	\$ 2,693,115.19
Encumbered	516,203.21	434,855.30
Total Appropriation Reserves	1,709,848.01	3,127,970.49
Accounts Payable - Vendors	1,788.92	25,220.57
Other Encumbrances Payable	5,410.79	47,030.40
Prepaid Taxes	621,762.34	530,151.76
Tax Overpayments	555,628.42	410,896.74
Due County for Added and Omitted Taxes	26,527.75	23,447.89
Due to:		
Federal and State Grant Fund	601,821.12	627,390.96
Other Trust Funds	813,588.89	269,000.00
Open Space Trust Fund		136,696.51
General Capital Fund	111,820.93	73,510.36
State of New Jersey:		
Marriage License Fees	850.00	500.00
Reserve for:		
Tax Appeals	615,716.28	565,716.28
Codification of Ordinances	8,617.63	8,617.63
Master Plan	3,422.64	3,422.64
Sale of Municipal Assets	182,612.82	664,407.82
Maple Grange Turf Field	375,267.41	278,648.18
Roads Repairs and Maintenance	17,166.24	
Municipal Relief Fund		194,242.82
	5,651,850.19	6,986,871.05
Special Emergency Notes Payable		
Reserve for Receivables and Other Assets	19,112,500.19	18,659,452.49
Fund Balance	6,777,193.62	6,673,197.37
Total Regular Fund	31,541,544.00	32,319,520.91
Federal and State Grant Fund:		
Appropriated Reserves	1,031,159.18	867,933.92
Unappropriated Reserves	64,626.24	5,652.92
Due from General Capital Fund	551,555.00	595,555.00
Total Federal and State Grant Fund	1,647,340.42	1,469,141.84
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 33,188,884.42</u>	<u>\$ 33,788,662.75</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

	Year Ended December 31,	
	2024	2023
<u>Revenue and Other Income Realized</u>		
Fund Balance Utilized	\$ 1,750,000.00	\$ 2,065,000.00
Miscellaneous Revenue Anticipated	10,035,241.35	8,660,239.91
Receipts from:		
Delinquent Taxes	1,957,169.85	1,638,026.22
Current Taxes	80,525,423.78	77,825,912.34
Nonbudget Revenue	119,022.09	238,544.16
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	662,354.52	524,916.44
Cancellation of Accounts Payable	25,220.57	
Cancellation of Tax Overpayments	2,151.86	48.65
Prior Year Senior Citizens' Deductions Allowed	750.00	500.00
Total Income	<u>95,077,334.02</u>	<u>90,953,187.72</u>
<u>Expenditures</u>		
Budget Appropriations	28,980,353.02	28,714,568.33
County Taxes	16,201,586.52	16,086,950.45
Local School District Taxes	47,923,966.00	45,333,916.00
Reserve for Tax Appeals	50,000.00	
Prior Year Taxes Applied to Prepaid Taxes	845.10	1,342.36
Prior Year Taxes Transferred to Overpayments	923.59	22,857.04
Refund of Prior Year Taxes	64,463.54	11,075.57
Interfunds and Other Receivables Advanced	1,200.00	
Total Expenditures	<u>93,223,337.77</u>	<u>90,170,709.75</u>
Excess in Revenue	1,853,996.25	782,477.97
<u>Fund Balance</u>		
Balance January 1	<u>6,673,197.37</u>	<u>7,955,719.40</u>
	8,527,193.62	8,738,197.37
Decreased by:		
Utilized as Anticipated Revenue	<u>1,750,000.00</u>	<u>2,065,000.00</u>
Balance December 31	<u>\$ 6,777,193.62</u>	<u>\$ 6,673,197.37</u>

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

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,			
	2024		2023	
	Budget After Modification	Realized	Budget After Modification	Realized
Fund Balance Anticipated	\$ 1,750,000	\$ 1,750,000	\$ 2,065,000	\$ 2,065,000
Miscellaneous Revenue Anticipated	9,496,594	10,035,241	8,097,022	8,660,240
Receipts from Delinquent Taxes	1,600,000	1,957,170	2,075,000	1,638,026
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	18,882,454	19,147,221	18,975,218	18,896,630
Total Budget Revenue	31,729,048	32,889,632	31,212,240	31,259,896
Nonbudget Revenue		119,022		238,544
Grand Total	<u>\$ 31,729,048</u>	<u>\$ 33,008,654</u>	<u>\$ 31,212,240</u>	<u>\$ 31,498,440</u>
Original Budget	\$ 31,328,000		\$ 31,032,000	
Added by NJSA 40A:4-87	401,048		180,240	
	<u>\$ 31,729,048</u>		<u>\$ 31,212,240</u>	

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

TOWNSHIP OF VERNON
CURRENT FUND
COMPARATIVE STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Years Ended December 31,								
2024					2023			
	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Canceled
Operations:								
Salaries and Wages	\$ 9,491,914	\$ 9,213,135	\$ 278,779		\$ 9,321,757	\$ 8,815,587	\$ 506,170	
Other Expenses	11,717,171	10,840,406	876,765		11,762,422	9,602,249	2,160,173	
Capital Improvements	1,530,750	1,524,853	5,897		1,831,350	1,831,350		
Debt Service	3,415,380	3,414,034		\$ 1,346	3,284,220	3,278,132		\$ 6,088
Deferred Charges and Statutory Expenditures	2,826,484	2,794,280	32,204		2,520,907	2,494,135	26,772	
Reserve for Uncollected Taxes	2,747,349	2,747,349			2,491,584	2,491,584		
	<u>\$ 31,729,048</u>	<u>\$ 30,534,057</u>	<u>\$ 1,193,645</u>	<u>\$ 1,346</u>	<u>\$ 31,212,240</u>	<u>\$ 28,513,037</u>	<u>\$ 2,693,115</u>	<u>\$ 6,088</u>
Original Budget	\$ 31,328,000				\$ 31,032,000			
Added by NJSA 40A:4-87	<u>401,048</u>				<u>180,240</u>			
	<u>\$ 31,729,048</u>				<u>\$ 31,212,240</u>			

TOWNSHIP OF VERNON
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2024	2023
<u>ASSETS</u>		
Assessment Trust Fund:		
Cash and Cash Equivalents	\$ 41,825.75	\$ 41,825.75
Assessment Receivable	4,932.43	4,932.43
Assessment Liens	352.40	352.40
Assessment Liens Interest and Costs	56.31	56.31
	<u>47,166.89</u>	<u>47,166.89</u>
Animal Control Fund:		
Cash and Cash Equivalents	<u>105,397.60</u>	<u>98,437.20</u>
Open Space Trust Fund:		
Cash and Cash Equivalents	475,062.81	291,223.29
Due from Current Fund		136,696.51
	<u>475,062.81</u>	<u>427,919.80</u>
Other Trust Funds:		
Cash and Cash Equivalents	4,536,488.42	4,632,085.87
Investments	15,000.00	15,000.00
	<u>4,551,488.42</u>	<u>4,647,085.87</u>
Due from Current Fund	813,588.89	269,000.00
	<u>5,365,077.31</u>	<u>4,916,085.87</u>
Lake Community Property Owners Dam #1 Trust Fund:		
Cash and Cash Equivalents	159,335.15	167,843.41
Accounts Receivable	8,778.72	20,604.66
	<u>168,113.87</u>	<u>188,448.07</u>
Lake Community Property Owners Dam #2 Trust Fund:		
Cash and Cash Equivalents	289,795.33	279,509.73
Accounts Receivable	15,404.33	50,105.90
	<u>305,199.66</u>	<u>329,615.63</u>
<u>TOTAL ASSETS</u>	<u>\$ 6,466,018.14</u>	<u>\$ 6,007,673.46</u>

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

	December 31,	
	2024	2023
<u>LIABILITIES AND RESERVES</u>		
Assessment Trust Fund		
Reserve for:		
Assessments and Liens	\$ 5,284.83	\$ 5,284.83
Assessment Liens Interest and Costs	56.31	56.31
Fund Balance	41,825.75	41,825.75
	<u>47,166.89</u>	<u>47,166.89</u>
Animal Control Fund:		
Due to Current Fund	1,200.00	
Reserve for Animal Control Expenditures	104,197.60	98,437.20
	<u>105,397.60</u>	<u>98,437.20</u>
Open Space Trust Fund:		
Reserve for Open Space	475,062.81	427,919.80
Other Trust Funds:		
Due to State of New Jersey:		
Building Surcharge Fees	\$8,184.00	\$4,791.00
Reserve for:		
Developers Escrow Deposits Payable	248,554.42	121,337.18
Planning Board Application Deposits		149,496.66
Unemployment Compensation Insurance	158,677.58	168,896.46
Redemption for Outside Liens	25,831.49	4,130.06
Recreation	124,915.30	118,143.50
Parking Offense Adjudication Act	74.00	62.00
Premiums on Tax Sale	2,368,800.00	2,494,300.00
M.A.C. Donations	8,660.27	8,660.27
Fire Prevention Penalties	103,443.72	91,505.46
Stream Clear Signs	4,875.58	4,875.58
Public Defender Fees	4,258.90	825.90
Senior Citizens Center	9,267.93	4,435.42
Compensated Absences	600,274.76	500,274.76
Small Cities Housing	1,733.00	1,733.00
Storm Recovery	937,529.09	499,471.60
Council on Affordable Housing	549,992.26	509,262.80
Developers Bonds	141,508.63	163,646.21
Barry Lakes Dam #1	5,670.23	5,489.86
Barry Lakes Dam #2	5,529.41	5,353.50
Police Donations	9,362.00	
Net Payroll and Payroll Deductions	9,985.40	10,015.53
Flexible Spending Trust	8,653.19	35,334.66
Animal Control Donations	29,296.15	14,044.46
	<u>5,365,077.31</u>	<u>4,916,085.87</u>

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

	December 31,	
	<u>2024</u>	<u>2023</u>
<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	\$ 13,035.49	\$ 16,284.95
Due to LCPOA Escrow	5,440.26	5,440.26
New Jersey Department of Environmental Protection		
Loan Payable - Future Years	149,638.12	166,722.86
	<u>168,113.87</u>	<u>188,448.07</u>
Lake Community Property Owner's Association Dam #2 Trust Fund:		
Due to Lake Community Property Owners Association:		
Accrued Interest - Future Years	33,652.69	39,124.11
Reserve for Administrative Costs		
Due to LCPOA Escrow	12,207.99	12,207.99
New Jersey Department of Environmental Protection		
Loan Payable - Future Years	259,338.98	278,283.53
	<u>305,199.66</u>	<u>329,615.63</u>
<u>TOTAL LIABILITIES AND RESERVES</u>	<u>\$ 6,466,018.14</u>	<u>\$ 6,007,673.46</u>

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

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

	Road Assessment	
	Year Ended December 31,	
	2024	2023
Balance January 1	\$ 41,825.75	\$ 41,825.75
Balance December 31	<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
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,	
	2024	2023
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 3,246,356.69	\$ 6,305,909.24
Due from Current Fund	111,820.93	73,510.36
Due from Federal and State Grant Fund	551,555.00	595,555.00
Due from VTMUA - Shared Capital	42,500.00	42,500.00
State and Federal Grants Receivable	3,558,702.50	3,511,194.50
NJEIT Loan Receivable	911,009.00	911,009.00
Deferred Charges to Future Taxation:		
Funded	17,621,924.00	19,726,924.00
Unfunded	13,263,119.00	10,986,119.00
<u>TOTAL ASSETS</u>	<u>\$ 39,306,987.12</u>	<u>\$ 42,152,721.10</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	\$ 15,525,000.00	\$ 17,630,000.00
NJEIT Note Payable:		
Construction Financing Loan	2,096,924.00	2,096,924.00
Bond Anticipation Notes Payable	6,265,000.00	6,821,000.00
Improvement Authorizations:		
Funded	7,012,227.50	7,289,829.05
Unfunded	7,615,316.83	7,358,484.84
Capital Improvement Fund	160,285.26	61,877.26
Reserve for:		
Payment of Debt Service	13,616.43	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	58,000.00	42,000.00
Fire Department	45,000.00	65,000.00
Public Works	227,450.00	293,900.00
Animal Control Improvements		12,000.00
Emergency Services Improvements		50,000.00
Down Payment on Bandshell	15,000.00	15,000.00
Acquisition of Municipal SUV's & Trucks	72,766.09	197,787.86
Acquisition of Municipal Computer Equipment	13,039.04	14,030.94
Fund Balance	28,324.57	32,233.32
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 39,306,987.12</u>	<u>\$ 42,152,721.10</u>

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

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

	For the Years Ended December 31,	
	<u>2024</u>	<u>2023</u>
Balance January 1	\$ 32,233	\$ 37,349
Increased by:		
Improvement Authorizations Canceled	<u>23,092</u>	<u>24,884</u>
	55,325	62,233
Decreased by:		
Appropriated to Finance Improvement Authorizations	<u>27,000</u>	<u>30,000</u>
Balance December 31	<u>\$ 28,325</u>	<u>\$ 32,233</u>

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

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

	December 31,	
	2024	2023
<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	17,788,183.34	16,065,484.46
<u>TOTAL ASSETS</u>	<u>\$ 33,072,183.60</u>	<u>\$ 31,349,484.72</u>
<u>RESERVES</u>		
Reserve for General Fixed Assets	\$ 33,072,183.60	\$ 31,349,484.72
<u>TOTAL RESERVES</u>	<u>\$ 33,072,183.60</u>	<u>\$ 31,349,484.72</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, 2024

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.

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

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

C. Basis of Accounting

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, 2024
(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, 2024
(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,		
	2024	2023	2022
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 23,886,924.00	\$ 26,547,924.00	\$ 24,700,000.00
Debt Guaranteed by the Township	408,977.10	445,006.39	480,325.77
Total Debt Issued	24,295,901.10	26,992,930.39	25,180,325.77
Less - Funds Temporarily Held to Pay			
Bonds, Notes and Loans:			
Reserve to Pay Debt Service	14,181.83	14,181.83	13,616.43
Loans Issued by Another Entity			
to be Guaranteed by the Township	408,977.10	445,006.39	480,325.77
Total Deductions	423,158.93	459,188.22	493,942.20
Net Issued	23,872,742.17	26,533,742.17	24,686,383.57

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

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

Summary of Municipal Debt (Cont'd)

	December 31,		
	2024	2023	2022
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	\$ 6,998,119.00	\$ 4,165,119.00	\$ 3,570,812.00
Total Authorized but not Issued	<u>6,998,119.00</u>	<u>4,165,119.00</u>	<u>3,570,812.00</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 30,870,861.17</u>	<u>\$ 30,698,861.17</u>	<u>\$ 28,257,195.57</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 0.890%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 2,340,000.00	\$ 2,340,000.00	
General Debt	<u>31,294,020.10</u>	<u>423,158.93</u>	<u>\$ 30,870,861.17</u>
	<u>\$ 33,634,020.10</u>	<u>\$ 2,763,158.93</u>	<u>\$ 30,870,861.17</u>

Net Debt of \$30,870,861.17 divided by Equalized Valuation Basis Per N.J.S. 40A:2-2 as Amended, \$3,467,284,176.33= 0.890%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 121,354,946.17
Net Debt	<u>30,870,861.17</u>
Remaining Borrowing Power	<u>\$ 90,484,085.00</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, 2024
(Continued)

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

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

	<u>Balance</u> <u>12/31/2023</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>
	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2023</u>
Serial Bonds:				
General Capital Fund	\$ 19,585,000.00		\$ 1,955,000.00	\$ 17,630,000.00
Loans Payable:				
General Capital Fund:				
NJIB Construction Loan	100,000.00	\$ 1,996,924.00		2,096,924.00
Special Emergency Notes:				
Current Fund				
Bond Anticipation Notes:				
General Capital Fund	<u>5,015,000.00</u>	<u>6,821,000.00</u>	<u>5,015,000.00</u>	<u>6,821,000.00</u>
Total	<u>\$ 24,700,000.00</u>	<u>\$ 8,817,924.00</u>	<u>\$ 6,970,000.00</u>	<u>\$ 26,547,924.00</u>

Analysis of Debt Issued and Outstanding at December 31, 2024

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, 2024</u>
General Refunding Bonds of 2020 Improvement to Sanitary Sewage System	01/01/26	4.00%	\$ 2,175,000.00
Refunding Bonds of 2020	01/01/33	1.151-2.279%	1,755,000.00
General Bonds of 2021	03/01/36	2.00-4.00%	<u>11,595,000.00</u>
			<u>\$ 15,525,000.00</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, 2024</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, 2024
(Continued)

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

Analysis of Debt Issued and Outstanding at December 31, 2024 (Cont'd)

<u>General Capital Bond Anticipation Notes Payable</u>			
<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2024</u>
Restructuring of a Portion of the Cost of Acquisition of Capacity at the Sanitary Sewage Treatment Plant of the Sussex County Municipal Utilities Authority	08/22/25	0.000%	\$ 140,000.00
Various Capital Improvements	08/22/25	3.750%	1,904,000.00
Acquisition of a New Fire Truck	08/22/25	3.750%	424,000.00
Various Capital Improvements	08/22/25	3.750%	1,365,000.00
Various Capital Improvements	08/22/25	3.750%	2,432,000.00
			<u>\$ 6,265,000.00</u>
Total Debt Issued and Outstanding			<u>\$ 23,886,924.00</u>

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

<u>Year</u>	<u>General</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2025	\$ 2,150,000.00	\$ 410,735.03	\$ 2,560,735.03
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
2030-2034	5,700,000.00	502,693.67	6,202,693.67
2035-2036	2,130,000.00	42,800.00	2,172,800.00
	<u>\$ 15,525,000.00</u>	<u>\$ 1,972,280.82</u>	<u>\$ 15,324,480.82</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, 2024, the Township has borrowed or "drawn down" \$1,185,915 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, 2024
(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, 2024, the balance of the guaranteed loan is \$149,638.12.

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, 2024, the balance of the guaranteed loan is \$259,338.98.

Note 3: Fund Balances Appropriated

Fund balance at December 31, 2024, which is appropriated and included in the Current Fund introduced budget for the year ending December 31, 2025, is as follows:

Current Fund	\$ 1,250,000.00
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TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(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.state.nj.us/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 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 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, 2024
(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 members. 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.

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

Township contributions to PERS amounted to \$709,799 for 2024. During the fiscal year ended June 30, 2023, the State of New Jersey contributed \$23,989 to the PERS for normal pension benefits 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 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 to report in the financial statement 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 entity's total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must disclose pension expense associated with the employers in an amount equal to the nonemployer contributing entity's 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, 2024
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense

At June 30, 2023, the Township's liability was \$7,692,308 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. The Borough'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, 2023, the Township's proportion was .0531%, which was an increase of 0.0032% from its proportion measured as of June 30, 2022. The Township has rolled forward the net pension liability as of June 30, 2023 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, 2023 information in the Notes to the Financial Statements as the June 30, 2024 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, 2023.

For the year ended December 31, 2024, the Township recognized actual pension expense in the amount of \$709,799.

Actuarial Assumptions

The collective total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. 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, 2022 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, 2024
(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, 2023) 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 real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2023 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%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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, 2024
(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 table on the following page presents the Township's proportionate share of the collective net pension liability as of June 30, 2023 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, 2023		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	(6.00%)	(7.00%)	(8.00%)
Township's proportionate share of the Net Pension Liability	\$ 10,013,749	\$ 7,692,308	\$ 5,716,456

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.state.nj.us/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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

Note 5: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. 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 2023, the State contributed 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 PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual amounts over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

Note 5: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

Township contributions to PFRS amounted to \$1,398,685 for the year ended December 31, 2024. During the fiscal year ended June 30, 2023, the State of New Jersey contributed \$244,628 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$243,315.

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

Pension Liabilities and Pension Expense

At June 30, 2023, the Township's liability for its proportionate share of the net pension liability was \$11,608,890. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. 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, 2023, the Borough's proportion was 0.10507%, which was an increase of .00376% from its proportion measured as of June 30, 2022. The Township has rolled forward the net pension liability as of June 30, 2023 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, 2023 information in the Notes to the Financial Statements as the June 30, 2024 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 \$2,139,073 as of June 30, 2023. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. 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, 2023, the State's proportion was 0.10507%, which was an increase of .00376% from its proportion measured as of June 30, 2022 which is the same proportion as the Township's.

Township's Proportionate Share of the Net Pension Liability	\$ 11,608,890
State's Proportionate Share of the Net Pension Liability Associated with the Township	<u>2,139,073</u>
Total Net Pension Liability	<u><u>\$ 13,747,963</u></u>

For the year ended December 31, 2024, the Township recognized total pension expense of \$1,398,685.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022 which was rolled forward to June 30, 2023. 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%

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2022 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, 2023) 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 real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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 to determine 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, 2023 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, 2023		
	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	\$ 19,155,379	\$ 13,747,963	\$ 9,244,877

Plan Fiduciary Net Position - PFRS

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

Note 5: Pension Plans (Cont'd)

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the Township recognized pension expense of \$4,697.70 for the year ended December 31, 2024. Employee contributions to DCRP amounted to \$6,379.60 for the year ended December 31, 2024.

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 \$600,274.76 on the Trust Fund balance sheet at December 31, 2024.

Balance at December 31, 2023 (Restated)	\$ 745,378.09
Net Change	<u>43,340.05</u>
Balance at December 31, 2024	<u>\$788,718.14</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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

Note 7: Selected Tax Information (Cont'd)

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.

Comparative Schedule of Tax Rate Information

	2024	2023	2022
<u>Tax Rate</u>	\$ 2.441	\$ 2.593	\$ 2.819
<u>Apportionment of Tax Rate</u>			
Municipal	.555	.612	.675
County	.477	.519	.560
Local School	1.409	1.462	1.584
<u>Assessed Valuations</u>			
2024	\$ 3,399,886,912.00		
2023		\$ 3,099,995,708.00	
2022			\$ 2,807,508,308.00

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>
2024	\$ 83,126,826.97	\$ 80,525,423.78	96.87%
2023	80,500,063.71	77,825,912.34	96.67%
2022	79,360,868.51	76,904,548.37	96.90%

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, 2024
(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 below and on the following page.

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;
- (6) Local government investments pools;

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

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

Investments (Cont'd)

- (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, 2024, 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	\$ 12,372,354.26		\$ 12,373,224.26
Assessment Trust		41,825.75		41,825.75
Animal Control		105,397.60		105,397.60
Other Trust		4,536,488.42	\$ 15,000.00	4,551,488.42
Open Space Trust		475,062.81		475,062.81
LCPOA Lake Trust #1		159,335.15		159,335.15
LCPOA Lake Trust #2		289,795.33		289,795.33
General Capital		3,246,356.69		3,246,356.69
	<u>\$ 870.00</u>	<u>\$ 21,226,616.01</u>	<u>\$ 15,000.00</u>	<u>\$ 21,242,486.01</u>

The Township has \$15,000.00 of investments in the form of certificates of deposits as of the year ended December 31, 2024. The carrying amount of the Township's cash and cash equivalents and investments at year end was \$21,242,486.01 and the bank balance was \$21,099,785.65.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(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 dental coverage through Delta Dental and vision coverage through Vision Service Plan.

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”) and the North Jersey Municipal Employee Benefits Fund (“NJMEBF”). The Fund provides its members with Workers’ Compensation Insurance and blanket employees crime coverage. The Township obtains their health and prescription benefits coverage through NJMEBF.

The funds are 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 funds are elected.

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

The Funds 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, 2024 audit reports were not available as of the date of this report. Selected, summarized financial information for the Funds as of December 31, 2023 is as follows:

	Statewide Insurance Fund	NJMEBF
Total Assets	\$ 50,687,086	\$ 18,604,219
Net Position	\$ 11,852,511	\$ 11,915,533
Total Revenue	\$ 33,517,869	\$ 52,081,686
Total Expenses	\$ 33,905,763	\$ 51,448,063
Change in Net Position	\$ (548,682)	\$ (1,357,786)
Members Dividends	\$ 160,788	\$ 1,991,409

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

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

NJMEBF
9 Campus Drive, Suite 216
Parsippany, NJ 07054
(201) 881-7632

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(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>
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
2022	-0-	12,722.02	1,435.37	192.00	146,615.71

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, 2024.

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 \$615,716.28 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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

Note 10: Contingencies (Cont'd)

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.

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, 2024, MCRI has not made 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, 2024:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 1,200.00	\$ 1,527,230.94
Federal and State Grant Fund	601,821.12	551,555.00
Animal Control Fund		1,200.00
Other Trusts Fund	813,588.89	
General Capital Fund	663,375.93	
	<u>\$ 2,079,985.94</u>	<u>\$ 2,079,985.94</u>

The interfund receivable in the Current Fund represents the statutory excess 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 balances due to the Reserve for Storm Recovery and Compensated Absences. The interfund receivable in the General Capital Fund represents General Capital Fund receipts collected by the Current Fund, budget appropriations due from the Current Fund and a prior year interfund due from the Federal and State Grant Fund; offset by cash disbursed by the Current Fund on behalf of the General Capital Fund.

Note 12: Economic Dependency

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

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

Note 13: Fixed Assets

The following is a summarization of general fixed assets for the years ended December 31, 2024 and 2023:

	Balance Dec. 31, 2023	Additions	Deletions/ Adjustments	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
	<u>\$ 31,349,484.72</u>	<u>\$ 2,480,248.99</u>	<u>\$ 757,550.11</u>	<u>\$ 33,072,183.60</u>

	Balance Dec. 31, 2022	Additions/ Adjustments	Deletions	Balance Dec. 31, 2023
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	15,843,977.18	\$ 1,263,090.49	\$ 1,041,583.21	16,065,484.46
	<u>\$ 31,127,977.44</u>	<u>\$ 1,263,090.49</u>	<u>\$ 1,041,583.21</u>	<u>\$ 31,349,484.72</u>

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, 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 NJMEBF and postemployment dental plan coverage from Delta Dental.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

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

Plan Description and Benefits Provided (Cont'd)

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.
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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

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

Plan Description and Benefits Provided (Cont'd)

1. Bargaining Unit Employees (Cont'd)

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

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. 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.
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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

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

Plan Description and Benefits Provided (Cont'd)

1. Bargaining Unit Employees (Cont'd)

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

1. Individuals employed by the Township of Vernon (the "Township") as of December 31, 2011, who retire within the meaning of PERS (Public Employees' Retirement System) and who have served in a full time capacity in Vernon Township for at least 20 years, shall be entitled to receive health benefits after retirement up until they reach the age of 65 with coverage equal to that of an active duty employee. When the retiree reaches the age of sixty-five (65), the Township shall provide the retiree with a supplemental integrated coverage policy which shall be secondary to the retiree's Medicare coverage, provided that the total available coverage is equal to that of an active duty employee.
2. Upon the death of a retired employee who was employed by the Township as of December 31, 2011, coverage will be continued for his or her spouse or same or opposite sex domestic partner, provided that the employee was married or domestically partnered at the time of his or her retirement, and will be continued for his or her dependent children, provided the children were designated as dependents at the time of the employee's retirement, until the death, remarriage or re-partnering of the spouse or partner, or until receipt of other coverage by that spouse or partner, or until the spouse or partner reaches the age of sixty-five (65), whichever occurs first.
3. For employees commencing employment with the Township on or after January 1, 2010, upon retirement as defined by PERS:
 - i. The employee will continue to receive single health insurance paid for by the Township up to age 65;
 - 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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(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

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

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

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

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.

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

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

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 2024, 2023 and 2022, the Township had approximately 176, 176 and 176 employees, respectively, who met eligibility requirements and recognized expenses of approximately \$1,203,397, \$1,186,046 and \$1,033,557 in 2024, 2023 and 2022, respectively.

Employees Covered by Benefit Terms

As of December 31, 2024, 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 \$51,272,351 was measured as of December 31, 2024 and was determined by an actuarial valuation as of December 31, 2024.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2024 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	3.26%
Salary Increases	2.50%
Inflation Assumptions	2.50%

The discount rate was revised from 3.26% in the previous actuarial valuation to 4.08% at December 31, 2024.

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	2024	6.50%	14.00%
Year 3 Trend	2025	6.25%	10.00%
Year 4 Trend	2026	6.00%	7.50%
Ultimate Trend	2030 & Later	N/A	4.50%
Ultimate Trend	2032 & Later	4.50%	N/A
Grading per Year	from 2026	0.25%	0.75%

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, 2024
(Continued)

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at January 1, 2024	\$ 50,493,384
Changes for Year:	
Service Cost	860,697
Interest Cost	1,654,528
Difference Between Expected and Actual Experience	128,356
Actuarial Assumption Changes	(661,217)
Benefit Payments	<u>(1,203,397)</u>
Net Changes	<u>778,967</u>
Balance at December 31, 2024	<u><u>\$ 51,272,351</u></u>

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 (3.08 percent) or 1 percentage higher (5.08 percent) than the current discount rate:

	<u>December 31, 2024</u>		
	1% Decrease (3.08%)	Discount Rate (4.08%)	1% Increase (5.08%)
Total OPEB Liability	\$ 57,433,552	\$ 51,272,351	\$ 46,210,307

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:

	<u>December 31, 2024</u>		
	1% Decrease	Valuation Healthcare Trend Rates	1% Decrease
Total OPEB Liability	\$ 46,997,447	\$ 51,272,351	\$ 56,469,538

TOWNSHIP OF VERNON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024
(Continued)

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

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

For the year ended December 31, 2024, the Township's OPEB expense was \$2,610,178 as determined by the actuarial valuation.

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 \$1,127,806.

<u>Year</u>	<u>Amount</u>
2025	\$ 326,259
2026	326,259
2027	326,259
2028	326,260
	<u>1,305,037</u>
Less: Amount representing interest	<u>(177,231)</u>
Present value of net minimum financed purchases payments	<u>\$ 1,127,806</u>

Note 18: Prior Period Adjustment

GASB Statement No. 101, *Compensated Absences*, was implemented during the year ended December 31, 2024. As required under the standard, the Township made a restatement to the amount reported as compensated absences in the Notes to the Financial Statements at December 31, 2023.

	<u>Balance at Dec. 31, 2023 as Previously Reported</u>	<u>Change in Accounting Principle</u>	<u>Balance at Dec. 31, 2023 as Restated</u>
Compensated Absences	\$ 911,557.69	\$ (166,179.60)	\$ 745,378.09

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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August 21, 2025

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

Ladies and Gentlemen:

We have acted as bond counsel to The Township of Vernon, in the County of Sussex, a municipal corporation of the State of New Jersey, situate in said County of Sussex (the “Township”), and have examined a record of proceedings relating to the issuance by the Township of a Bond Anticipation Note in the denomination of \$10,788,000 (the “Note”). The Note is dated August 21, 2025, matures on August 21, 2026, bears interest at the rate of ____ and _____ hundredths per centum (____%) per annum payable at maturity, is issued in registered form, is transferable as therein provided, and is issued pursuant to the Local Bond Law of the State of New Jersey, and by virtue of a bond ordinance or ordinances of the Township and a resolution of its governing body adopted July 14, 2025.

The Note is a temporary obligation issued in anticipation of the issuance of bonds.

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

In our opinion, the Note is a valid and legally binding obligation of the Township, payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Note is issued but, if not so paid, payable ultimately from ad valorem taxes which may be levied upon all the taxable property within the Township without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Note may be limited

by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

In our opinion, under existing statutes and court decisions, interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code, however interest on the Note is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in our opinion, under existing statutes, interest on the Note is not included in gross income under the New Jersey Gross Income Tax Act.

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

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note or the ownership or disposition thereof, except as stated above. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any facts or circumstances that may hereafter come to our attention, any change in law or interpretations thereof that may hereafter occur or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

We have examined the Note, and, in our opinion, the form of said Note and its execution are regular and proper.

Very truly yours,