

OFFICIAL STATEMENT DATED APRIL 12, 2018

NEW ISSUE

**Rating: S&P “AA-”
(See “RATING” herein)**

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Village (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest paid to certain corporate holders of the Bonds indirectly may be subject to alternative minimum tax under circumstances described under “TAX MATTERS” herein. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See “TAX MATTERS” herein.

**TOWNSHIP OF SOUTH ORANGE VILLAGE
IN THE COUNTY OF ESSEX, NEW JERSEY
\$10,635,000 GENERAL OBLIGATION BONDS, SERIES 2018**

**CONSISTING OF:
\$8,500,000 GENERAL IMPROVEMENT BONDS
AND
\$2,135,000 WATER UTILITY BONDS
(CALLABLE) (BOOK-ENTRY-ONLY)**

Dated: Date of Delivery

Due: April 15, as shown on the inside front cover

The \$10,635,000 General Obligation Bonds, Series 2018, consisting of \$8,500,000 General Improvement Bonds (the “General Improvement Bonds”) and \$2,135,000 Water Utility Bonds (the “Water Utility Bonds” and, together with the General Improvement Bonds, the “Bonds”), will be issued in the form of one certificate for the aggregate principal amount of the Bonds of each series maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as Securities Depository.

Proceeds of the Bonds, along with other available funds of the Village, will be used to: (i) currently refund the Village’s \$11,558,702 Bond Anticipation Notes, dated April 26, 2017 and maturing April 25, 2018; and (ii) pay the costs associated with the authorization, sale and issuance of the Bonds. See “AUTHORIZATION AND PURPOSE” herein.

Interest on the Bonds will be payable semiannually on the fifteenth day of April and October in each year until maturity, commencing October 15, 2018. The principal of and the interest due on the Bonds will be paid to DTC by the Village. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding April 1 and October 1 (the “Record Dates” for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months.

The Bonds are subject to optional redemption prior to their stated maturities. See “DESCRIPTION OF THE BONDS - Redemption” herein.

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

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued, and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Village in connection with the issuance of the Bonds. Delivery is anticipated to be at the offices of the Village’s Bond Counsel, McManimon, Scotland & Baumann, LLC, or at such other place as agreed to with the Underwriter on or about April 24, 2018.

**TOWNSHIP OF SOUTH ORANGE VILLAGE
IN THE COUNTY OF ESSEX, NEW JERSEY**

\$10,635,000 GENERAL OBLIGATION BONDS, SERIES 2018

**CONSISTING OF:
\$8,500,000 GENERAL IMPROVEMENT BONDS
AND
\$2,135,000 WATER UTILITY BONDS**

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

Year (April 15)	General Improvement Amount	Water Utility Amount	Combined Principal Amount	Interest Rate	Yield	CUSIP*
2019	\$520,000	\$80,000	\$600,000	5.00%	1.66%	839134ET6
2020	540,000	120,000	660,000	5.00	1.76	839134EU3
2021	555,000	130,000	685,000	5.00	1.88	839134EV1
2022	575,000	135,000	710,000	5.00	2.02	839134EW9
2023	610,000	135,000	745,000	5.00	2.15	839134EX7
2024	625,000	140,000	765,000	5.00	2.25	839134EY5
2025	650,000	140,000	790,000	5.00	2.28	839134EZ2
2026	670,000	145,000	815,000	4.00	2.40**	839134FA6
2027	695,000	150,000	845,000	4.00	2.50**	839134FB4
2028	715,000	160,000	875,000	4.00	2.60**	839134FC2
2029	755,000	160,000	915,000	3.00	3.00	839134FD0
2030	780,000	160,000	940,000	3.00	3.05	839134FE8
2031	810,000	160,000	970,000	3.00	3.10	839134FF5
2032		160,000	160,000	3.00	3.15	839134FG3
2033		160,000	160,000	3.00	3.20	839134FH1

* CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by Standard & Poor's Capital IQ. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Village does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

** Priced at stated yield to the first optional redemption date of April 15, 2025 at the redemption price of 100%.

**TOWNSHIP OF SOUTH ORANGE VILLAGE,
IN THE COUNTY OF ESSEX, NEW JERSEY**

VILLAGE TRUSTEES

Sheena C. Collum, President
Walter Clarke
Deborah Davis Ford
Karen Hartshorn Hilton
Howard Levison
Mark Rosner
Steve Schnall

ACTING VILLAGE ADMINISTRATOR

Adam D. Loehner

CHIEF FINANCIAL OFFICER

Christopher Battaglia

VILLAGE CLERK

Kevin Harris

VILLAGE AUDITOR

PKF O'Connor Davies, LLP
Livingston, New Jersey

VILLAGE ATTORNEY

Steven C. Rother, Esquire
Post, Polak, Goodsell & Strauchler, P.A.
Roseland, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Village to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Village and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Village. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to 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 and exceptions to statements made herein, and copies of which may be inspected at the offices of the Village during normal business hours.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Village from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Village.

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

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 Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Village.

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**OFFICIAL STATEMENT
OF
TOWNSHIP OF SOUTH ORANGE VILLAGE,
IN THE COUNTY OF ESSEX, NEW JERSEY
\$10,635,000 GENERAL OBLIGATION BONDS, SERIES 2018**

**CONSISTING OF:
\$8,500,000 GENERAL IMPROVEMENT BONDS
AND
\$2,135,000 WATER UTILITY BONDS**

INTRODUCTION

This Official Statement, which includes the front cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Township of South Orange Village, in the County of Essex, New Jersey (the “Village”) in connection with the sale and issuance of \$10,635,000 General Obligation Bonds, Series 2018, consisting of \$8,500,000 General Improvement Bonds (the “General Improvement Bonds”) and \$2,135,000 Water Utility Bonds (the “Water Utility Bonds” and, together with the General Improvement Bonds, the “Bonds”). This Official Statement has been executed by and on behalf of the Village by its Chief Financial Officer, and its distribution and use in connection with the sale of the Bonds has been authorized by the Village.

This Official Statement is “deemed final,” as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

DESCRIPTION OF THE BONDS

General Description

The Bonds shall be dated the date of delivery and shall mature on April 15 in each of the years and in the amounts set forth on the inside cover page hereof. Interest on the Bonds will be payable semiannually on April 15 and October 15 in each year until maturity, or prior redemption, commencing on October 15, 2018. Principal of and interest on the Bonds will be paid to DTC (as defined herein) by the Village or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding April 1 and October 1 (the “Record Dates” for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of each series of Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry-only form in the amount of \$5,000, or any integral multiple thereof except, if necessary, also in the amount of \$1,000 through book-entries made on the books and records of The Depository Trust Company, New York, New York (“DTC”) and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Village directly to Cede & Co. (or any successor or assign), as nominee for DTC. See “Book-Entry-Only System” herein.

Redemption

The Bonds of this issue maturing prior to April 15, 2026 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after April 15, 2026 are redeemable at the option of the Village, in whole or in part, on any date on or after April 15, 2025 at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of redemption shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Village, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. However, so long as DTC (or any successor thereto) acts as securities depository for the Bonds, notice of redemption shall be sent to such securities depository and shall not be sent to the beneficial owners of the Bonds, and will be done in accordance with DTC procedures. Any failure of such securities depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Village determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by the Village by lot. If notice of redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest, and other payments due on the Bonds to DTC Participants or Beneficial Owners (each as defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Village. Accordingly, the Village does not make any representations concerning these matters.

DTC will act as securities depository for the Bonds. The Bonds 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 global Bond certificate will be issued for each maturity of each series and, where applicable, each sub-series of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities 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" and, together with the Direct Participants, the "DTC Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Redemption proceeds, if applicable, and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village or paying agent, on payable date in accordance with their respective holdings shown on DTC's records.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if applicable, and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village or its paying agent, if any, 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 and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Village believes to be reliable, but the Village does not take any responsibility for the accuracy thereof.

THE VILLAGE AS PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuation of Book-Entry-Only System

If the Village, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the Village will attempt to locate another qualified securities depository. If the Village fails to find such a securities depository, or if the Village determines, in its sole discretion, that it is in the best interest of the Village or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the Village undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination) the Village shall notify DTC of the termination of the book-entry-only system.

SECURITY AND SOURCE OF PAYMENT

General

The Bonds are valid and legally binding general obligations of the Village, and the Village has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable real property within the Village without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

The Village

The Village is located along the northwestern border of Essex County, New Jersey (the "County"). See Appendix "A" for demographic and statistical information concerning the Village.

AUTHORIZATION AND PURPOSE

The Bonds are authorized and are issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq. (the “Local Bond Law”) and the bond ordinances set forth below, each duly approved and published as required by law and a resolution duly adopted by the Village on March 12, 2018.

The proceeds of the General Improvement Bonds, along with \$183,702 of available funds of the Village, are being issued to: (i) currently refund the Village’s \$9,258,702 Bond Anticipation Note, dated and issued April 26, 2017 and maturing April 25, 2018; and (ii) pay the costs associated with the authorization, sale and issuance of the General Improvement Bonds. The proceeds of the Water Utility Bonds, along with \$45,000 of available funds of the Village, are being issued to: (i) currently refund the Village’s \$2,300,000 Bond Anticipation Note, dated and issued April 26, 2017 and maturing April 25, 2018; and (ii) pay the costs associated with the authorization, sale and issuance of the Water Utility Bonds.

GENERAL IMPROVEMENT BOND ORDINANCES			
BOND ORDINANCE NUMBER	DESCRIPTION OF AND DATE OF ADOPTION OF BOND ORDINANCE	AMOUNT OF PRIOR NOTES COMING DUE	AMOUNT OF BONDS TO BE ISSUED
#2012-10	Various general capital improvements, finally adopted July 9, 2012 and readopted on September 24, 2012.	\$2,546,952	\$2,386,000
2013-16	Various general capital improvements, finally adopted September 9, 2013.	983,250	749,000
2013-06, as amended by 2016-05	Various general capital improvements, finally adopted April 22, 2013 and March 14, 2016.	1,738,500	1,628,000
2014-05	Various general capital improvements, finally adopted April 17, 2014.	1,543,750	1,446,000
2015-04	Various general capital improvements, finally adopted April 13, 2015.	2,446,250	2,291,000
	TOTAL:	\$9,258,702	\$8,500,000

WATER UTILITY BOND ORDINANCES			
BOND ORDINANCE NUMBER	DESCRIPTION OF AND DATE OF ADOPTION OF BOND ORDINANCE	AMOUNT OF PRIOR NOTES COMING DUE	AMOUNT OF BONDS TO BE ISSUED
#2016-02	Various improvements to the water utility relating to the Crest Drive standpipe, finally adopted February 22, 2016.	\$2,300,000	\$2,135,000
	TOTAL:	\$2,300,000	\$2,135,000

MARKET PROTECTION

The Village expects to issue approximately \$14,000,000 Bond Anticipation Notes in July 2018 to (i) currently refund its \$10,198,250 Bond Anticipation Note, originally issued on December 14, 2017 and maturing on July 12, 2018; and (ii) provide approximately \$3,800,000 in new money to fund various capital projects. The Village does not anticipate issuing any additional bonds in 2018.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the Village are general full faith and credit obligations.

The authorized bonded indebtedness of the Village for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its average equalized valuation basis. The Village has not exceeded its statutory debt limit.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The Village may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Village may 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 the Village or substantially reduce the ability of the Village to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Village to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Village may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

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

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the 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 must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may 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 determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

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. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation drainage map preparation for flood control purposes, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP"

appropriations to within “CAPS” appropriations nor can transfers be made between excluded from “CAP” appropriations.

A provision of law known as the New Jersey “Cap Law” (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the “Index Rate” if the index rate is greater than 2.5%. The “Index Rate” is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year’s appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years’ tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment, limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the “Cap Law” limits the obligation of the Village to levy ad valorem taxes upon all taxable real property within the Village to pay debt service on its bonds or notes.

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

Tax Assessment and Collection Procedure

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 results 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 Village’s local school district and the County, the tax rate is struck by the Essex County Board of Taxation (the “County Board of Taxation”) based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq.

Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are typically mailed annually in June or following the adoption of the State budget, at which time state aid is certified, by the Village's Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest rates and penalties are the highest permitted under New Jersey statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Village 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 of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

This law regulates the non-budgetary 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 or commissions.

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2016 for the Village is on file with the Clerk and is available for review during business hours.

FINANCIAL STATEMENTS

Appendix B contains certain unaudited financial data of the Village extracted from the Annual Financial Statement for the fiscal year ending December 31, 2017 and certain audited financial data of the Village for the fiscal year ending December 31, 2016. The audited financial data was extracted from the report prepared by PKF O'Connor Davies, LLP, Cranford, New Jersey (the "Auditor") to the extent and for the period set forth in their report appearing in Appendix B to this Official Statement. The Auditor has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the financial statements appearing in Appendix B hereto) and, accordingly, will express no opinion with respect thereto. See "APPENDIX B - Financial Statements of the Township of South Orange Village, in the County of Essex, New Jersey".

LITIGATION

To the knowledge of the Village Attorney, Steven C. Rother, Esq., of Post, Polak, Goodsell, Strauchler, P.A., Roseland, New Jersey (the "Village Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Village or the title of any of the present officers. To the knowledge of the Village Attorney, no litigation is presently pending or threatened that, in the opinion of the Village Attorney, would have a material adverse impact on the financial condition of the Village if adversely decided. A certificate to such effect will be executed by the Village Attorney and delivered to the purchaser of the Bonds at the closing.

TAX MATTERS

Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Village to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Village will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Village has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Village with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Village observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC ("Bond Counsel") is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. For corporations with tax years beginning after December 31, 2017, the corporate alternative minimum tax was repealed by federal legislation, Public Law No. 115-97 (the "Tax Cuts and Jobs Act") enacted on December 22, 2017, effective for tax years beginning after December 31, 2017. For tax years beginning before January 1, 2018, interest on the Bonds is not an item of tax preference for purposes of the corporate alternate minimum tax in effect prior to enactment of the Tax Cuts and Jobs Act; however, interest on Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal alternative minimum tax for tax years beginning before January 1, 2018 because of its inclusion in the adjusted current earnings of a corporate holder.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no

opinion about the effect of future changes in (i) the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Village or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Village as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Original Issue Discount

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Bank Qualification

The Bonds **will not** be designated as qualified under Section 265 of the Code by the Village for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which are eligible to be designated and which are designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

Additional Federal Income Tax Consequences of Holding the Bonds

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

Changes in Federal Tax Law Regarding the Bonds

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX

ADVISERS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

MUNICIPAL BANKRUPTCY

The undertakings of the Village should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901, et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

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

RATING

S&P Global Ratings, acting through Standard & Poor's Ratings Services LLC (the "Rating Agency") has assigned a rating of "AA-" (stable outlook) to the Bonds.

The rating reflects only the view of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Village provided the Rating Agency with certain information and materials concerning the Bonds and the Village. There can be no assurance that the rating will be maintained for any given period of time or that the rating will not be raised, lowered or withdrawn entirely, if in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of such rating, may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITER

The Bonds have been purchased from the Village, pursuant to the terms of the Village's notice of sale, by J.P. Morgan Securities LLC, New York, New York (the "Underwriter"), at a purchase price of \$11,360,449.88 (the "Purchase Price"). The Purchase Price reflects the par amount of the Bonds in the amount of \$10,635,000.00, plus a net original issue premium in the amount of \$777,206.15, and less an Underwriter's discount in the amount of \$51,756.27. The Underwriter is obligated to purchase all of the Bonds if any are purchased.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside 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 Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at yields higher than the public offering yields set forth on the inside front cover page, and such public offering yields may be changed, from time to time, by the Underwriter without prior notice.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as municipal advisor to the Village with respect to the issuance of the Bonds (the “Municipal Advisor”). 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 firm 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 incident to the authorization, the sale, the issuance and the delivery of the Bonds are subject to the approval of Bond Counsel to the Village, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C. Certain legal matters will be passed on for the Village by the Village Attorney.

PREPARATION OF OFFICIAL STATEMENT

The Village hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects, and it will confirm same to the purchasers of the Bonds by certificates signed by the Village President and Chief Financial Officer.

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

Bond Counsel has neither 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, expresses no opinion with respect thereto.

SECONDARY MARKET DISCLOSURE

The Village has covenanted for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the “Rule”). Specifically, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Village shall provide:

(a) On or prior September 30 of each year, commencing September 30, 2018 for the fiscal year ending December 31, 2017, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access Data Port (“MSRB”), annual financial information with respect to Village consisting of the

audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Village and certain financial information and operating data consisting of (i) Village indebtedness, (ii) property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with modified cash accounting as mandated by State of New Jersey statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law and shall be filed electronically and accompanied by identifying information with the MSRB;

(b) in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Bonds (herein “Material Events”):

- (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 or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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.

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

Notice of failure of the Village to provide required annual financial information on or before the date specified in the undertaking shall be sent in a timely manner to the MSRB.

If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided pursuant to the Village's undertaking, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The Chief Financial Officer shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Village prior to their offering. Such officer is hereby authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in this resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

In the event that the Village fails to comply with the Rule requirements or the written contracts or undertakings, the Village shall not be liable for monetary damages, remedy being hereby specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

The Village has previously entered into continuing disclosure undertakings under the Rule. The Village appointed Phoenix Advisors, LLC in May of 2013 to serve as continuing disclosure agent.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Christopher Battaglia, Chief Financial Officer, Township of South Orange Village, 76 South Orange Avenue, South Orange, New Jersey, 07079, (973) 378-7715 or the Municipal Advisor, Phoenix Advisors, LLC at 4 West Park Street, Bordentown, New Jersey 08505, (609) 291-0130.

MISCELLANEOUS

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

**TOWNSHIP OF SOUTH ORANGE VILLAGE, IN
THE COUNTY OF ESSEX, NEW JERSEY**

/s/ Christopher Battaglia

**Christopher Battaglia
Chief Financial Officer**

Dated: April 12, 2018

APPENDIX A

Economic and Demographic Information Relating to the Township of South Orange Village, in the County of Essex, New Jersey

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INFORMATION REGARDING THE VILLAGE¹

The following material presents certain economic and demographic information of the Township of South Orange Village (the “Village”), in the County of Essex (the “County”), State of New Jersey (the “State”).

General Information

The Village was originally settled in 1666 and incorporated in 1869, encompasses approximately 2.7 square miles in the County. Located 15 miles southwest of New York City, the Village is a charming and historic residential community of approximately 17,000 residents, boasting authentic Tudor, Colonial and Victorian homes, streets dotted with gaslights, beautiful parks, and a bustling Village center. Seton Hall University is located in the Village and has approximately 6,000 undergraduate students, 4,300 graduate students and 1,000 employees.

Form of Government

Village government operates under a unique charter, which provides for a small municipality form consisting of a President and six members of the Board of Trustees, all of whom are elected by the residents of the community. Trustees are elected for four-year staggered terms - each two years, three Trustees run for office. The Village President is elected for a four-year term as well.

The Board of Trustees meets the second Monday of the month for Conference Agenda and the fourth Monday of the month for Regular Meetings; both meetings are open to the public in compliance with New Jersey's Open Public Meetings Act. The public's role at all Board of Trustee meetings allows for residents' opportunity to speak on proposed ordinances, resolutions, or other issues of concern.

Municipal Operations

Municipal services are provided by approximately 150 full-time employees, with personnel supervision provided by each Department Head.

The Village's financial and tax departments have been fully computerized since 1995. All assessments are continuously updated by the Village's assessing Department employees to reflect current values. The Village is responsible for the levying and collecting of taxes on all taxable properties within its borders, including the tax levies for the county and school districts.

Property taxes are based on the municipality's assessor's valuation of real property, as confirmed by the Tax Board of the County in which a municipality is situated, and are levied for the calendar year. The taxes for municipal, local and regional school districts and county purposes are combined into one levy, which is apportioned on the tax bill by rate and amount for taxpayer information only. A municipality remits 100% of county taxes, payable quarterly on the 15th days of February, May, August and November. The school districts receive payments

¹ Source: The Village, unless otherwise indicated.

based on funding needs. Tax bills for the second half of the current year's levy are an estimate, based on 50% of the levy for the first half of the following year, are mailed annually in June and are due in quarterly installments in the first days of August and November of the current year, and February and May of the following year. Delinquent payments are subject to an interest penalty of 8% on the first \$1,500 of delinquency and 18% on amounts exceeding \$1,500. Unpaid taxes or any municipal lien on real property are subject to a tax sale as of the eleventh day of the eleventh month in the fiscal year, in accordance with the statutes of New Jersey. Tax liens are subsequently subject to foreclosure proceeding in order to enforce tax collections or acquire title to the property.

Public Safety

Police & Fire - The Village is served by a highly-trained and dedicated police force, consisting of approximately 50 officers, and Fire Department, consisting of approximately 30 firefighters. Both departments have some of the highest response times in the State and are well-equipped with the most up-to-date equipment. In addition, both departments go through continual training programs and exercises. These services are available 24 hours a day, 365 days a year.

First Aid Services - The Village is served by both a volunteer and professional rescue squad. The base of operations for both is the South Orange Rescue Squad, located in the Village's downtown. The professional EMS team, American Ambulance Services, is on duty from 6:00am to 6:00pm Monday through Friday, while the volunteer squad covers 6:00pm to 6:00am Monday through Friday and all weekends. Funding for the volunteer operations comes from donations from the public.

Growth, Development and Planning

The Village has undergone a very aggressive downtown revitalization effort. In addition to the construction of a performing arts center, which includes five movie theaters, two significant mixed-use facilities are being built in the downtown that will include luxury condominiums/apartments and retail stores and restaurants. Recently a redeveloper converted the Village's surface parking lot located on Third Street and Valley Street into a mixed-use project that includes 215 residential apartment units, a 513 structured parking deck and 3,000 square feet of retail space. The structured parking deck is shared by the apartment complex and the Village and represents in excess of a 50% increase in available commuter parking.

The Village is actively working on several additional redevelopment projects expanding its downtown corridor.

Health Care Facilities - Health services for the Village and the immediately surrounding area are provided by the Saint Barnabas Health Care system, which maintains an approximately 600-bed hospital in Livingston, less than four miles from the center of the Village.

Utility Services

The water distribution system is owned by the Village. The system consists of more than 70 miles of mains that deliver approximately 2.5 million gallons of water per day to the Village's more than 16,000 residents. The system consists of three zones, serviced by three water storage tanks; the South Orange Avenue Main Reservoir, the Crest Drive Storage Tank, and the Brentwood Watersphere, which hold a combined total of 3.7 million gallons. Previously, water was supplied to the system, and the system was operated and maintained by the East Orange Water Commission pursuant to a concessionaire's agreement. That agreement expired on December 31, 2016, when the Village entered into agreements with New Jersey American Water Company ("NJAW") and American Water Operations and Maintenance, Inc. ("AWO&M"), an affiliate of NJAW. Pursuant to those agreements, NJAW provides water on a bulk purchase basis, and AWO&M operates and maintains the system, including billing. In addition to the bulk purchase of 2 million gallons of water per day from NJAW, the Village owns a well with the potential of delivering an additional 500,000 gallons per day to the system.

Sewer service is provided by the South Orange Department of Public Works, which operates and maintains the local sewage collection system that flows to a processing facility in the City of Elizabeth, jointly owned by eleven (11) members and known as the Joint Meeting of Essex and Union Counties ("JMEUC").

Natural gas and electricity is provided through PSE&G distribution networks.

Transportation

Train Service - The Village is fortunate to have two (2) New Jersey Transit train stations: one, located in the center of the Village's downtown, provides midtown direct service to Manhattan, allowing for an approximately 25-minute commute into midtown Manhattan; the other, Mountain Station, is located in the northern end of the Village.

Bus Service - New Jersey Transit also provides bus service throughout the Village.

Air Service - The nearest airport is Newark International, located approximately eight miles - or approximately 15 minutes - from the Village.

Public Highways - Route 78 and the Garden State Parkway both are within 15 minutes of the Village.

Education

Public Schools - The Village has a combined public-school education with Maplewood, its neighbor to the south. Together, the school system has six elementary schools, two middle schools, and one high school. The schools located in the Village include Marshall Elementary School, Montrose Early Childhood Center, South Mountain Elementary School and South Orange Middle School. Columbia High School, while located in Maplewood, is on the border of the Village.

Colleges and Universities - In addition to having Seton Hall University located in the Village, the following higher education institutions may be found within 30 minutes of the Village:

- University of Medicine and Dentistry of New Jersey (Newark)
- Essex County College (Newark)
- Montclair State University (Montclair)
- Bloomfield College (Bloomfield)
- Caldwell College (Caldwell)
- Kean University (Elizabeth)
- Fairleigh Dickenson University (Madison)

Retirement Systems

All full-time permanent or qualified Village employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the “Division”), is the administrator of the funds with the benefit and contribution levels set by the State. The Village is enrolled in the Public Employees' Retirement System (“PERS”) and the Police and Firemen's Retirement System (“PFRS”).

Pension Information²

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations.

² Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Village</u>				
2016	7,991	7,693	298	3.7%
2015	8,048	7,689	359	4.5%
2014	8,037	7,637	400	5.0%
2013	8,054	7,551	503	6.2%
2012	8,186	7,616	570	7.0%
<u>County</u>				
2016	371,140	348,806	22,334	6.0%
2015	374,593	348,636	25,957	6.9%
2014	376,003	345,955	30,048	8.0%
2013	377,778	341,162	36,616	9.7%
2012	384,578	343,296	41,282	10.7%
<u>State</u>				
2016	4,524,262	4,299,923	224,315	5.0%
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,513,600	4,209,700	303,900	6.7%
2013	4,528,500	4,157,600	370,800	8.2%
2012	4,585,300	4,158,600	426,800	9.3%

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 2016)

	<u>Village</u>	<u>County</u>	<u>State</u>
Median Household Income	\$115,901	\$54,860	\$73,702
Median Family Income	148,992	70,937	90,757
Per Capita Income	51,773	33,482	37,538

Source: US Bureau of the Census, 2016 American Community Survey 5-Year Estimates

Population

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

<u>Year</u>	<u>Village</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2010	16,198	-4.52	783,969	-1.22	8,791,894	4.49
2000	16,964	3.50	793,633	1.98	8,414,350	8.85
1990	16,390	3.32	778,206	-8.59	7,730,188	4.96
1980	15,864	-6.52	851,304	-8.71	7,365,001	2.75
1970	16,971	4.92	932,526	0.97	7,168,164	18.15

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2017</u>	<u>% of Total</u>
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
South Orange Property**	\$17,850,200	0.63%
Weill, TR./Stop and Shop	8,664,600	0.31%
10 N. Ridgewood Rd., LLC*	8,417,200	0.30%
Orange Education Foundation*	6,957,900	0.25%
Concord Apartments*	6,925,100	0.24%
8 & 111 Realty Management, LLC	6,252,200	0.22%
Orange Lawn Country Club**	5,829,300	0.21%
Vose Ave. Property	4,874,500	0.17%
Halsey Gardens 258 LLC	4,400,000	0.16%
South Mountain Holdings LLC**	<u>4,372,400</u>	<u>0.15%</u>
Total	<u>\$74,543,400</u>	<u>2.63%</u>

*Appealing 2018 taxes

**Appealing 2017 and 2018 taxes

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

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2017U	\$87,415,945	\$86,345,946	98.78%
2016	85,700,222	84,211,502	98.26%
2015	83,755,027	82,559,313	98.57%
2014	82,178,085	81,114,513	98.71%
2013	79,971,806	78,924,166	98.69%

U = Unaudited
Source: Annual Audit Reports of the Village

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>
2017U	\$5,773	\$945,768	\$951,541	1.09%
2016	139,546	869,132	1,008,679	1.18%
2015	127,005	965,658	1,092,663	1.30%
2014	112,474	811,170	923,644	1.12%
2013	100,445	759,922	860,367	1.08%

U = Unaudited
Source: Annual Audit Reports of the Village

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2017U	\$417,254
2016	282,900
2015	282,900
2014	282,900
2013	282,900

U = Unaudited
Source: Annual Audit Reports of the Village

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

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

Regional				
<u>Year</u>	<u>Municipal</u>	<u>School</u>	<u>County</u>	<u>Total</u>
2017R	\$0.825	\$1.752	\$0.495	\$3.072
2016	1.028	2.190	0.610	3.828
2015	1.007	2.139	0.593	3.739
2014	0.989	2.090	0.582	3.661
2013	0.976	2.025	0.553	3.554

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>
2017R	\$2,833,773,000	\$2,928,358,996	96.77%	\$4,926,562	\$2,933,285,558
2016	2,230,763,200	2,700,354,921	82.61	4,168,303	2,704,523,224
2015	2,232,602,000	2,617,966,698	85.28	4,038,556	2,622,005,254
2014	2,237,665,300	2,560,257,780	87.40	4,295,762	2,564,553,542
2013	2,243,596,300	2,509,334,862	89.41	4,880,971	2,514,215,833

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 Village 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>
2017R	\$19,209,700	\$2,541,976,600	\$0	\$196,613,300	\$4,089,400	\$71,884,000	\$2,833,773,000
2016	7,595,500	2,006,957,800	0	149,833,700	2,166,600	64,209,600	2,230,763,200
2015	8,099,500	2,003,294,500	0	152,753,700	2,202,700	66,251,600	2,232,602,000
2014	9,993,900	2,008,258,300	0	150,548,800	2,202,700	66,661,600	2,237,665,300
2013	10,029,500	2,011,927,600	0	152,096,600	2,237,700	67,304,900	2,243,596,300

R: Revaluation

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

Financial Operations

The following table summarizes the Village'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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Fund Balance Utilized	\$700,000	\$810,000	\$850,000	\$250,000	\$998,000
Miscellaneous Revenues	10,293,354	10,289,885	9,706,801	10,869,877	10,949,456
Receipts from Delinquent Taxes	830,000	798,000	782,000	919,769	825,549
Amount to be Raised by Taxation	<u>21,713,993</u>	<u>21,941,542</u>	<u>22,294,704</u>	<u>22,747,660</u>	<u>23,133,377</u>
Total Revenue:	<u>\$33,537,347</u>	<u>\$33,839,427</u>	<u>\$33,633,505</u>	<u>\$34,787,306</u>	<u>\$35,906,381</u>
<u>Appropriations</u>					
General Appropriations	\$24,633,631	\$24,964,513	\$24,965,588	\$25,371,059	\$26,545,451
Operations (Excluded from CAPS)	3,366,806	3,120,712	2,843,480	2,876,306	2,935,264
Deferred Charges and Statutory Expenditures	75,000	150,000	271,667	350,000	170,540
Capital Improvement Fund	150,000	130,000	100,000	292,000	515,000
Municipal Debt Service	4,352,998	4,407,298	4,381,239	4,688,094	4,465,126
Reserve for Uncollected Taxes	<u>958,913</u>	<u>1,066,904</u>	<u>1,071,531</u>	<u>1,209,847</u>	<u>1,275,000</u>
Total Appropriations:	<u>\$33,537,347</u>	<u>\$33,839,427</u>	<u>\$33,633,505</u>	<u>\$34,787,306</u>	<u>\$35,906,381</u>

Source: Annual Adopted Budgets of the Village

Fund Balance

Current Fund

The following table lists the Village'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.

<u>Fund Balance - Current Fund</u>		
	<u>Balance</u>	<u>Utilized in Budget</u>
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2017U	\$2,189,169	n/a
2016	1,637,297	998,000
2015	350,621	250,000
2014	1,032,765	850,000
2013	1,237,851	810,000

Source: Annual Audit Reports of the Village

Water Utility Operating Fund

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

<u>Fund Balance - Water Utility Operating Fund</u>		
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2017U	\$27,176	n/a
2016	27,176	0
2015	31,711	0
2014	61,894	0
2013	282,084	0

Source: Annual Audit Reports of the Village

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Village Indebtedness as of December 31, 2017

General Purpose Debt

Serial Bonds	\$34,735,000
Bond Anticipation Notes	19,456,952
Bonds and Notes Authorized but Not Issued	766,500
Other Bonds, Notes and Loans	<u>544,493</u>
Total:	\$55,502,945

Local School District Debt

Serial Bonds	\$0
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$0

Regional School District Debt

Serial Bonds	\$16,023,838
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$16,023,838

Self-Liquidating Debt

Serial Bonds	\$795,000
Bond Anticipation Notes	2,300,000
Bonds and Notes Authorized but Not Issued	3,500,000
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$6,595,000

TOTAL GROSS DEBT

\$78,121,783

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	0
Regional School District Debt	16,023,838
Self-Liquidating Debt	<u>4,326,960</u>
Total:	\$20,350,798

TOTAL NET DEBT

\$57,770,985

Source: Annual Debt Statement of the Village

Overlapping Debt (as of December 31, 2017)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Village Percentage</u>	<u>Village Share</u>
Regional School District	\$37,903,000	42.28%	\$16,023,838
County	986,838,661	3.30%	<u>32,598,573</u>
Net Indirect Debt			\$48,622,411
Net Direct Debt			<u>57,770,985</u>
Total Net Direct and Indirect Debt			<u>\$106,393,396</u>

Debt Limit

Average Equalized Valuation Basis (2015, 2016, 2017)	\$2,748,893,538
Permitted Debt Limitation (3 1/2%)	96,211,274
Less: Net Debt	<u>57,770,985</u>
Remaining Borrowing Power	<u>\$38,440,289</u>
Percentage of Net Debt to Average Equalized Valuation	2.102%
Gross Debt Per Capita based on 2010 population of 16,198	\$4,823
Net Debt Per Capita based on 2010 population of 16,198	\$3,567

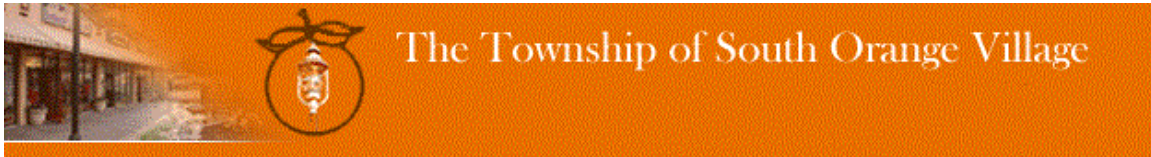
Source: Annual Debt Statement of the Village

³ Village percentage of County debt is based on the Village's share of total equalized valuation in the County.

APPENDIX B

Financial Statements of the Township of South Orange Village, in the County of Essex, New Jersey

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THE TOWNSHIP OF SOUTH ORANGE VILLAGE
ESSEX COUNTY, NEW JERSEY
REPORT OF AUDIT
YEARS ENDED DECEMBER 31, 2016 AND 2015

TOWNSHIP OF SOUTH ORANGE VILLAGE

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Independent Auditors' Report

**The Honorable Mayor and Members
of the Township Board of Trustees
Township of South Orange Village
South Orange, New Jersey**

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the various funds and account group of the Township of South Orange Village, Essex County, State of New Jersey (the "Township") which comprise the balance sheets as of and for the years ended December 31, 2016 and 2015, and the related statements of revenues, expenditures and changes in fund balances for the years ended, statements of revenues, statements of expenditures and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the requirements prescribed by the Division. Those standards and requirements prescribed by the Division require that we plan and perform the audit to obtain reasonable assurance about whether the regulatory basis financial statements are free of material misstatement.

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

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

PKF O'CONNOR DAVIES, LLP
293 Eisenhower Parkway, Suite 170, Livingston, NJ 07039 | Tel: 973.535.2880 | Fax: 973.535.5893 | www.pkfod.com

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

As described in Note 1, the financial statements are prepared by the Township on the basis of the financial reporting provisions of the Division to demonstrate compliance with Division's regulatory-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, or the results of its operations and changes in fund balances for the years then ended.

Basis for Disclaimer of Opinion on Length of Service Award Program Fund ("LOSAP")

As described in Note 11, the financial statements of the Length of Service Award Program Fund ("LOSAP") have not been audited and were not required by the Division to be audited nor were we engaged to audit the LOSAP financial statements as part of our audit of the Township's financial statements. The LOSAP's financial activities are included in the Township's Trust Fund, and represent 8.39% and 8.66% of the assets and liabilities, respectively, of the Township's Trust Funds as of December 31, 2016 and 2015, respectively.

Disclaimer of Opinion on Length of Service Award Program Fund ("LOSAP")

Due to the fact that we were not required by the Division to audit nor were we engaged to audit the LOSAP financial statements as part of our audit of the Township's financial statements, we do not express an opinion on the LOSAP financial statements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP financial statements been audited, the financial statements referred to above present fairly, in all material respects the financial position of the various funds and account group of the Township as of December 31, 2016 and 2015, and the results of its operations and changes in fund balances of such funds for the years then ended, and the statement of revenues and statement of expenditures of the various funds for the year ended December 31, 2016 in accordance with the financial reporting provisions of the Division as described in Note 1 to the financial statements.

PKF O'Connor Davies, LLP

June 29, 2017
Livingston, New Jersey

Francis McEnerney

Francis McEnerney CPA, RMA
Licensed Registered Municipal Accountant # 539

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

A
Sheet #1

<u>ASSETS AND DEFERRED CHARGES</u>	<u>2016</u>	<u>2015</u>
Cash	\$ 3,133,790.91	\$ 1,553,741.45
Change Funds	325.00	225.00
Due from State of New Jersey: Ch. 129, P.L. 1976	16,325.34	14,624.15
	<u>3,150,441.25</u>	<u>1,568,590.60</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Taxes Receivable	869,132.47	965,658.52
Tax Title Liens	139,546.14	127,004.50
Other Accounts Receivable		60.00
Property Acquired for Taxes at Assessed Valuation	282,900.00	282,900.00
Improvement District Tax Receivable	1,345.80	1,500.17
Revenue Accounts Receivable	264,643.83	490,250.30
Interfunds Receivable		8,406.76
	<u>1,557,568.24</u>	<u>1,875,780.25</u>
Deferred Charges	567,739.96	350,000.00
	<u>5,275,749.45</u>	<u>3,794,370.85</u>
Federal and State Grant Fund:		
Cash	65,651.24	234,484.40
Federal and State Grants Receivable	3,250,897.39	3,486,766.59
	<u>3,316,548.63</u>	<u>3,721,250.99</u>
	<u>\$ 8,592,298.08</u>	<u>\$ 7,515,621.84</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

A
Sheet #2

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2016</u>	<u>2015</u>
Expenditure Reserves:		
Appropriation Reserves:		
Encumbered	\$ 486,932.55	\$ 235,624.21
Unencumbered	244,207.49	214,115.36
Interfunds Payable		221,667.00
Due to State of New Jersey:		
Other Fees		475.00
Tax Overpayments	150,557.08	113,686.14
Sewer Rent Overpayments	6.07	2,882.17
Accounts Payable	6,510.00	6,510.00
Emergency Note Payable	567,739.00	300,000.00
School Taxes Payable	33,821.00	33,820.50
Open Space Levy		1,118.66
County Taxes Payable	12,491.61	
Various Reserves	152,056.26	83,000.00
Prepaid Taxes and Sewer Rents	426,561.20	355,068.28
Improvement District Tax Payable	2.13	2.13
	<u>2,080,884.39</u>	<u>1,567,969.45</u>
Reserve for Receivables and Other Assets	1,557,568.24	1,875,780.25
Fund Balance	<u>1,637,296.82</u>	<u>350,621.15</u>
	<u>5,275,749.45</u>	<u>3,794,370.85</u>
 Federal and State Grant Fund:		
Interfund Payable	1,862.24	5,127.13
Appropriated Reserves	3,309,969.39	3,706,406.86
Unappropriated Reserves	4,717.00	9,717.00
	<u>3,316,548.63</u>	<u>3,721,250.99</u>
	<u>\$ 8,592,298.08</u>	<u>\$ 7,515,621.84</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2016 AND 2015 A-1

	<u>2016</u>	<u>2015</u>
<u>Revenue and Other Income</u>		
Fund Balance Utilized	\$ 250,000.00	\$ 850,000.00
Miscellaneous Revenue Anticipated	11,045,495.24	9,371,819.42
Receipts from Delinquent Taxes	965,942.96	775,584.60
Receipts from Current Taxes	84,606,069.90	82,559,312.99
Nonbudget Revenue	640,436.25	194,007.92
Other Credits to Income:		
Special Improvement District Receivable Liquidated	154.37	898.04
Appropriation Reserves Lapsed	141,903.46	424,558.09
Tax Overpayments Canceled	5,743.94	250.59
Other Accounts Receivable Liquidated		1,245.20
Cancellation of Grant Appropriated Reserve Balance	399,340.70	
Prior Year Interfunds Returned	8,406.76	
Accounts Payable Cancelled		<u>39,818.71</u>
Total Revenue and Other Income	<u>98,063,493.58</u>	<u>94,217,495.56</u>
<u>Expenditures</u>		
Budget and Emergency Appropriations	34,186,138.52	32,803,372.81
Prior Year Senior Citizen Deduction Disallowed		615.75
Interfunds Established		8,176.64
State Tax Court Judgments		192,219.78
Local Open Space Tax	223,493.15	224,013.89
County Taxes	13,635,669.49	13,288,576.86
Regional District School Tax	48,937,633.00	47,832,664.00
Cancellation of Grant Receivable Balances	111,563.71	
Cancellation of Other Accounts Receivable	<u>60.00</u>	
Total Expenditures	<u>97,094,557.87</u>	<u>94,349,639.73</u>
Excess (Deficit) of Revenue	968,935.71	(132,144.17)
Add: Adjustments to Income before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year	<u>567,739.96</u>	<u>300,000.00</u>
Statutory Excess to Fund Balance	1,536,675.67	167,855.83
<u>Fund Balance</u>		
Balance, Beginning of Year	<u>350,621.15</u>	<u>1,032,765.32</u>
	1,887,296.82	1,200,621.15
Decreased by:		
Utilized as Anticipated Revenue	<u>250,000.00</u>	<u>850,000.00</u>
Balance, End of Year	<u><u>\$ 1,637,296.82</u></u>	<u><u>\$ 350,621.15</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-2
Sheet #1

	Anticipated Budget	Realized	Excess or (Deficit)
Fund Balance Appropriated	\$ 250,000.00	\$ 250,000.00	\$
<u>Miscellaneous Revenues</u>			
Alcoholic Beverage Licenses	30,950.00	30,550.00	(400.00)
Other Licenses	25,696.00	21,534.00	(4,162.00)
Fees and Permits	72,631.00	90,189.13	17,558.13
Municipal Court Fines and Costs	710,780.00	775,236.60	64,456.60
Interest and Cost on Taxes	229,589.00	254,127.13	24,538.13
Interest on Investments and Deposits	20,822.00	28,365.94	7,543.94
Recreation Receipts	945,258.00	951,770.98	6,512.98
Sewer User Fees	2,238,901.00	2,324,035.87	85,134.87
Cable TV Franchise Fee	218,659.00	218,659.58	0.58
Payment in Lieu of Taxes	2,115,000.00	2,005,187.74	(109,812.26)
Cell Tower Rental Fee	140,664.00	139,719.95	(944.05)
Energy Receipts Tax	1,456,861.00	1,456,861.00	
Uniform Construction Code Fees	740,000.00	811,152.00	71,152.00
Uniform Fire Safety Act	20,751.00	19,776.90	(974.10)
Utility Operating Surplus - Water	30,000.00	30,000.00	
General Capital Fund Balance	460,000.00	460,000.00	
Rent - Walton Ave	15,000.00	20,000.00	5,000.00
General Capital Reserve for Payment of Debt Service:			
2015 Note Sale Premium	39,540.00	39,540.00	
2015 SEN Principal Raised	221,667.00	221,667.00	
Seton Hall Debt Service Payment	71,970.00	75,000.00	3,030.00
FEMA	320,000.00	304,647.79	(15,352.21)
Police Side Job Fees	94,303.00	87,870.00	(6,433.00)
Shared IT Services	57,290.00	44,120.00	(13,170.00)
Joint Meeting Refund of Surplus	121,000.00	121,798.64	798.64
Reserve for Revaluation	82,000.00	82,000.00	-
	<u>10,479,332.00</u>	<u>10,613,810.25</u>	<u>134,478.25</u>
Federal and State Grants:			
Municipal Alliance on Alcohol and Drug Abuse	26,750.00	26,750.00	
Essex County Regional Health			
Body Armor Replacement Program	11,430.63	11,430.63	
Council of the Arts	4,716.00	4,716.00	
Drive Sober or Get Pulled Over	3,850.00	3,850.00	
Recycling Tonnage Grants	25,571.29	25,571.29	
Cops in Shops	5,400.00	5,400.00	
Alcohol Rehabilitation	423.02	423.02	
Drunk Driving Enforcement	8,050.31	8,050.31	
Clean Communities	33,493.74	33,493.74	
Grotta Fund Planning Grant	60,000.00	60,000.00	
Green Communities	3,000.00	3,000.00	
NJ DOT - Academy Street	242,000.00	242,000.00	
NJ OEM Grant	7,000.00	7,000.00	
	<u>431,684.99</u>	<u>431,684.99</u>	

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

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Sheet #2

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Total Miscellaneous Revenue	<u>\$ 10,911,016.99</u>	<u>\$ 11,045,495.24</u>	<u>\$ 134,478.25</u>
Receipts from Delinquent Taxes	<u>919,769.00</u>	<u>965,942.96</u>	<u>46,173.96</u>
Amount to be Raised by Taxes for Support of Municipal Budget:			
Minimum Library Tax	874,000.88	874,000.88	
Local Tax for Municipal Purpose	<u>21,873,658.96</u>	<u>22,145,120.84</u>	<u>271,461.88</u>
	<u>22,747,659.84</u>	<u>23,019,121.72</u>	<u>271,461.88</u>
	34,828,445.83	35,280,559.92	452,114.09
Nonbudget Revenue	<u> </u>	<u>640,436.25</u>	<u>640,436.25</u>
	<u><u>\$ 34,828,445.83</u></u>	<u><u>\$ 35,920,996.17</u></u>	<u><u>\$ 1,092,550.34</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
ANALYSIS OF REALIZED REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-2a

<u>Allocation of Tax Collections</u>	<u>Total</u>	<u>Receipts from Delinquent Taxes</u>	<u>Current Tax Collections</u>
Taxes Receivable Cash Receipts	\$ 85,177,444.48	\$ 965,942.96	\$ 84,211,501.52
Exemptions Granted	39,500.00		39,500.00
Prepaid Taxes Applied	355,068.38		355,068.38
Total Revenue	<u>85,572,012.86</u>	<u>965,942.96</u>	<u>84,606,069.90</u>
Allocated to:			
County Levy and Added Taxes	(13,635,669.49)		(13,635,669.49)
Regional District School Taxes	(48,937,633.00)		(48,937,633.00)
Local Open Space	(223,493.15)		(223,493.15)
Plus: Reserve for Uncollected Taxes	<u>1,209,847.46</u>		<u>1,209,847.46</u>
Realized Revenue	<u>\$ 23,985,064.68</u>	<u>\$ 965,942.96</u>	<u>\$ 23,019,121.72</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
ANALYSIS OF NONBUDGET REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

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Miscellaneous Revenue Not Anticipated

Cash Receipts:

Bid Specs	\$ 4,950.00
Administrative Fee- State of New Jersey	1,090.78
Gas Light Ads	5,900.00
PILOT	576,481.97
Restitution	305.11
Prior Year Reimbursements	12,189.65
Bounced Check Fee	1,350.00
Other	<u>38,168.74</u>

\$ 640,436.25

Sewer User Fees

Revenue Accounts Receivable \$ 2,324,595.87

Less: Transferred to Lien 560.00

Amount Realized as Revenue \$ 2,324,035.87

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-3
Sheet # 1

Appropriation	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT</u>						
Administrative and Executive:						
Salaries and Wages	\$ 298,000.00	\$ 303,844.31	\$ 303,844.31	\$	\$ 1,703.75	\$
Other Expenses	330,000.00	356,000.00	317,636.46	36,659.79		
Mayor and Council:						
Other Expenses	2,000.00	2,500.00	2,431.00		69.00	
Village Committee:						
Other Expenses	45,000.00	36,000.00	35,374.96		625.04	
Office of Village Clerk:						
Salaries and Wages	125,000.00	125,321.74	125,321.74			
Other Expenses	26,000.00	19,000.00	13,388.91	120.00	5,491.09	
Financial Administration:						
Salaries and Wages	37,500.00	4,691.74	4,691.74			
Other Expenses	335,000.00	255,000.00	226,063.62	28,835.77	100.61	
Annual Audit	36,000.00	41,500.00	37,500.00		4,000.00	
Assessment of Taxes:						
Salaries and Wages	107,500.00	129,688.82	129,688.82			
Other Expenses	9,000.00	9,000.00	2,726.44	887.56	5,386.00	
Tax Appeals	82,000.00	382,000.00	382,000.00			
Collection of Taxes:						
Salaries and Wages	155,000.00	155,945.95	155,945.95			
Other Expenses	13,500.00	13,500.00	12,168.77	1,331.23		
Legal Services and Costs:						
Other Expenses	245,000.00	195,000.00	175,844.40	1,056.83	18,098.77	
Engineering Services and Costs:						
Salaries and Wages	200,000.00	91,491.82	91,491.82			
Other Expenses	15,000.00	33,000.00	31,806.03	671.10	522.87	
Computer Information Technology						
Salaries and Wages	162,000.00	162,000.00	161,657.35		342.65	
Other Expenses	80,000.00	120,000.00	113,009.47	2,075.62	4,914.91	
<u>LAND USE ADMINISTRATION</u>						
Planning Board:						
Salaries and Wages	3,000.00					
Other Expenses	5,000.00	5,000.00	3,145.15	844.93	1,009.92	
Board of Adjustment:						
Salaries and Wages	3,000.00					
Other Expenses	4,000.00	4,000.00	2,329.65	239.48	1,430.87	
Historic Preservation Commission:						
Salaries and Wages	2,500.00					
Other Expenses	4,000.00	4,775.00	4,096.50	675.66	2.84	
<u>INSURANCE</u>						
Unemployment	10,000.00					
Health Waiver	40,000.00	40,000.00	40,000.00			
General Liability	940,000.00	1,207,739.96	1,207,739.96			
Employee Group Health	2,128,473.00	1,995,773.00	1,995,383.92	319.30	69.78	

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-3
Sheet # 2

	Appropriations					
Appropriation	Budget	Modified Budget	Expended	Encumbered	Unencumbered	Canceled
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>MUNICIPAL COURT</u>						
Municipal Court:						
Salaries and Wages	\$ 118,000.00	\$ 120,467.97	\$ 120,467.97	\$	\$	\$
Public Defender:						
Salaries and Wages	29,000.00	15,000.00	14,652.51		347.49	
<u>PUBLIC SAFETY</u>						
Police:						
Salaries and Wages	6,580,000.00	6,683,702.92	6,683,687.57		15.35	
Other Expenses	230,000.00	155,000.00	120,922.44	18,794.09	15,283.47	
Emergency Management Service:						
Other Expenses	5,000.00	5,500.00	3,207.98	2,149.06	142.96	
Fire:						
Salaries and Wages	3,950,000.00	4,092,802.74	4,082,965.45		9,837.29	
Other Expenses	72,000.00	132,000.00	98,349.39	32,800.51	850.10	
<u>PUBLIC WORKS FUNCTIONS</u>						
Other Public Works Functions:						
Salaries and Wages	1,695,000.00	1,725,000.00	1,722,657.64		2,342.36	
Other Expenses	600,000.00	582,200.00	376,710.50	185,821.95	19,667.55	
<u>HEALTH AND WELFARE</u>						
Board of Health:						
Salaries and Wages	146,000.00	148,428.79	148,428.79			
Other Expenses	20,000.00	20,000.00	14,494.91	5,240.46	264.63	

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-3
Sheet # 3

	Appropriations					
Appropriation	Budget	Modified Budget	Expended	Encumbered	Unencumbered	Canceled
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>RECREATION AND EDUCATION</u>						
Public Recreation Programs:						
Salaries and Wages	\$ 830,000.00	\$ 924,104.27	\$ 924,104.27	\$ 59,380.40	\$ 303.30	\$
Other Expenses	730,000.00	730,000.00	670,316.30			
Celebration of Public Events:						
Other Expenses	5,000.00	10,000.00	7,668.01		2,331.99	
<u>UNIFORM CONSTRUCTION CODE</u>						
Construction Code Officials:						
Inspection of Buildings:						
Salaries and Wages	310,000.00	322,537.23	322,537.23		-	
Other Expenses	8,000.00	5,000.00	2,762.45	902.83	1,334.72	
<u>UNCLASSIFIED</u>						
Electricity	195,000.00	220,000.00	190,498.64	25,867.20	3,634.16	
Gasoline, Diesel Fuel and Lubricants	140,000.00	140,000.00	95,221.62	22,485.29	22,293.09	
Telephone and Telegraph	65,000.00	65,000.00	56,759.19	4,691.86	3,548.95	
Street Lighting	725,000.00	650,774.44	589,838.24	55,081.63	5,854.57	
Rent	15,000.00	15,000.00	14,500.00		500.00	
<u>CONTINGENT</u>	<u>5,000.00</u>	<u>5,000.00</u>			<u>5,000.00</u>	
Total Operations Within "CAPS"	<u>21,916,473.00</u>	<u>22,460,290.70</u>	<u>21,836,038.07</u>	<u>486,932.55</u>	<u>137,320.08</u>	
Detail:						
Salaries and Wages	14,751,500.00	15,005,028.30	14,992,143.16		12,885.14	
Other Expenses	<u>7,164,973.00</u>	<u>7,455,262.40</u>	<u>6,843,894.91</u>	<u>486,932.55</u>	<u>124,434.94</u>	
<u>STATUTORY EXPENDITURES</u>						
Contributions to:						
Public Employees' Retirement System	537,966.95	544,216.17	544,216.17			
Social Security System (OASI)	584,850.11	606,850.11	606,583.47		266.64	
Disability Insurance	15,000.00	250.00	250.00			
Defined Contribution Retirement Program	1,000.00	1,000.00			1,000.00	
Police and Firemen's Retirement System	<u>2,315,768.72</u>	<u>2,326,191.76</u>	<u>2,326,191.76</u>			
	<u>3,454,585.78</u>	<u>3,478,508.04</u>	<u>3,477,241.40</u>		<u>1,266.64</u>	
Total Appropriations Within "CAPS"	<u>25,371,058.78</u>	<u>25,938,798.74</u>	<u>25,313,279.47</u>	<u>486,932.55</u>	<u>138,586.72</u>	

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

A-3
Sheet # 4

Appropriation	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
<u>OTHER OPERATIONS</u>						
Municipal Library	\$ 1,006,000.00	\$ 1,006,000.00	\$ 991,683.30	\$	\$ 14,316.70	\$
Employee Group Health	78,321.00	78,321.00	78,321.00		-	
Length of Service Awards Program	20,000.00	20,000.00	11,750.00		8,250.00	
Joint Trunk Sewer Maintenance	1,105,751.60	1,105,751.60	1,105,751.60		-	
	<u>2,210,072.60</u>	<u>2,210,072.60</u>	<u>2,187,505.90</u>		<u>22,566.70</u>	
<u>Interlocal Municipal Service Agreements</u>						
Municipal Court - Township of Maplewood	405,000.00	405,000.00	333,549.12		71,450.88	
Code Enforcement - Township of Maplewood	<u>106,000.00</u>	<u>106,000.00</u>	<u>94,396.81</u>		<u>11,603.19</u>	
<u>Public and Private Programs</u>						
Body Armor - Chap - 159	4,108.94	4,108.94	4,108.94			
Body Armor	7,321.69	7,321.69	7,321.69			
Council of the Arts	2,358.00	2,358.00	2,358.00			
Council of the Arts - Chap-159	2,358.00	2,358.00	2,358.00			
Drive Sober or Get Pulled Over - Chap - 159	3,850.00	3,850.00	3,850.00			
Recycling Tonnage Grants	25,571.29	25,571.29	25,571.29			
Cops in Shops - Chap - 159	5,400.00	5,400.00	5,400.00			
Drunk Driving Enforcement	8,050.31	8,050.31	8,050.31			
Municipal Alliance Grant	26,750.00	26,750.00	26,750.00			
Municipal Alliance Grant Match	6,688.00	6,688.00	6,688.00			
Clean Communities	33,493.74	33,493.74	33,493.74			
Municipal Alcohol Education/Rehabilitation Program - Chap - 159	423.02	423.02	423.02			
Grotta Fund Planning Grant	35,000.00	35,000.00	35,000.00			
Grotta Fund Planning Grant - Chap - 159	25,000.00	25,000.00	25,000.00			
Green Communities	3,000.00	3,000.00	3,000.00			
NJ OEM Grant	7,000.00	7,000.00	7,000.00			
New Jersey Transportation Trust Fund Authority Act - Academy Street	242,000.00	242,000.00	242,000.00			
Total Public and Private Programs	<u>438,372.99</u>	<u>438,372.99</u>	<u>438,372.99</u>			
Total Operations Excluded from "CAPS"	<u>3,159,445.59</u>	<u>3,159,445.59</u>	<u>3,053,824.82</u>	-	<u>105,620.77</u>	
Detail:						
Other Expenses	<u>3,159,445.59</u>	<u>3,159,445.59</u>	<u>3,053,824.82</u>	-	<u>105,620.77</u>	
<u>CAPITAL IMPROVEMENTS</u>						
Capital Improvement Fund	<u>50,000.00</u>	<u>50,000.00</u>	<u>50,000.00</u>			

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

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Sheet # 5

	Appropriations					
Appropriation	Budget	Modified Budget	Expended	Encumbered	Unencumbered	Canceled
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
<u>DEBT SERVICE</u>						
Payment of Bond	\$ 3,040,000.00	\$ 3,040,000.00	\$ 3,040,000.00	\$	\$	\$
Payment of Bond Anticipation Notes and Capital Notes	443,334.00	443,334.00	443,334.00			
Interest on Bonds	1,075,000.00	1,075,000.00	1,074,929.44			70.56
Interest on Notes	81,540.00	81,540.00	81,421.93			118.07
Loan Repayment for Principal and Interest	8,540.00	8,540.00	8,534.64			5.36
2010 NJEIT Principal and Interest	14,460.00	14,460.00	14,454.18			5.82
2015 NJEIT Principal and Interest	25,220.00	25,220.00	25,220.00			
	<u>4,688,094.00</u>	<u>4,688,094.00</u>	<u>4,687,894.19</u>			<u>199.81</u>
<u>Deferred Charges:</u>						
Emergency Authorization	300,000.00	300,000.00	300,000.00			
Special Emergency Authorizations 5 Years	50,000.00	50,000.00	50,000.00			
	<u>350,000.00</u>	<u>350,000.00</u>	<u>350,000.00</u>			
Total Appropriations Excluded from "CAPS"	<u>8,247,539.59</u>	<u>8,247,539.59</u>	<u>8,141,719.01</u>	<u>-</u>	<u>105,620.77</u>	<u>199.81</u>
Sub-Total Appropriations	33,618,598.37	34,186,338.33	33,454,998.48	486,932.55	244,207.49	199.81
Reserve for Uncollected Taxes	<u>1,209,847.46</u>	<u>1,209,847.46</u>	<u>1,209,847.46</u>			
Total General Appropriations	<u>\$ 34,828,445.83</u>	<u>\$ 35,396,185.79</u>	<u>\$ 34,664,845.94</u>	<u>\$ 486,932.55</u>	<u>\$ 244,207.49</u>	<u>\$ 199.81</u>
Budget		\$ 34,828,445.83	\$			
Reserve for Uncollected Taxes		(1,209,847.46)	1,209,847.46			
Emergency Appropriation		567,739.96	350,000.00			
Cash Disbursements			32,234,625.49			
Interfunds (Net)			6,688.00			
Capital Improvement Fund			50,000.00			
Reserve for Tax Appeals			382,000.00			
Reserve for Federal/State Grants			431,684.99			
Canceled		<u>(199.81)</u>				
		<u>\$ 34,186,138.52</u>	<u>\$ 34,664,845.94</u>			

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
TRUST FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

B

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<u>Animal Control Fund</u>		
Cash	\$ 7,105.15	\$ 7,959.55
<u>General Trust Fund</u>		
Cash	\$ 2,951,102.80	\$ 2,603,554.43
Interfunds Receivable	1,862.24	
	\$ 2,952,965.04	\$ 2,603,554.43
<u>Payroll Trust Fund</u>		
Cash	\$ 219,008.85	\$ 175,088.32
<u>Length of Service Award Program</u>		
Funds held in trust - unaudited	\$ 291,263.45	\$ 264,256.54
 <u>LIABILITIES AND RESERVES</u>		
<u>Animal Control Fund</u>		
Interfunds Payable	\$	\$ 1.50
Prepaid Revenue		680.00
Reserve for Expenditures	7,105.15	7,278.05
	\$ 7,105.15	\$ 7,959.55
<u>General Trust Fund</u>		
Interfunds Payable	\$	\$ 1,802.51
Reserves for:		
Special Deposits	2,357,779.10	2,053,757.29
Open Space	595,185.94	547,994.63
	\$ 2,952,965.04	\$ 2,603,554.43
<u>Payroll Trust Fund</u>		
Interfunds Payable	\$	\$ 1,475.62
Payroll Deductions Payable	219,008.85	173,612.70
	\$ 219,008.85	\$ 175,088.32
<u>Length of Service Award Program</u>		
Reserve for funds held in trust - unaudited	\$ 291,263.45	\$ 264,256.54

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
GENERAL CAPITAL FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

C

<u>ASSETS AND DEFERRED CHARGES</u>	<u>2016</u>	<u>2015</u>
Cash	\$ 2,586,342.92	\$ 1,501,893.29
Interfunds Receivable	250,000.00	221,667.00
Due from Seton Hall University	450,000.00	500,000.00
Deferred Charges to Future Taxation:		
Funded	38,433,676.94	41,509,721.45
Unfunded	10,246,868.00	10,405,202.00
	<u>\$ 51,966,887.86</u>	<u>\$ 54,138,483.74</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Serial Bonds	\$ 37,850,000.00	\$ 40,890,000.00
Environmental Infrastructure Loan	506,670.75	535,824.28
Green Acres Trust Loan Payable	77,006.19	83,897.17
Improvement Authorizations:		
Funded	1,167,014.00	2,937,593.04
Unfunded	2,092,876.07	3,962,197.40
Bond Anticipation Notes Payable	9,480,368.00	4,195,202.00
Capital Improvement Fund	35,025.53	25.53
Reserve for Payment Debt Service	-	221,667.00
Reserve for Preliminary Engineering Expenses	30.00	4,640.00
Reserve for Seton Hall University	450,000.00	500,000.00
Fund Balance	307,897.32	807,437.32
	<u>\$ 51,966,887.86</u>	<u>\$ 54,138,483.74</u>
 Bonds and Notes Authorized but not Issued	<u>\$ 766,500.00</u>	<u>\$ 6,210,000.00</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
GENERAL CAPITAL FUND

FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

C-1

Balance, December 31, 2015	\$ 807,437.32
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Decreased by:

Due to Current Fund as Anticipated Revenue	<u>499,540.00</u>
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Balance, December 31, 2016	<u><u>\$ 307,897.32</u></u>
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TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

D

<u>ASSETS AND DEFERRED CHARGES</u>	<u>2016</u>	<u>2015</u>
<u>Operating Fund</u>		
Cash	\$ 52,418.98	\$ 63,165.23
Due from Water Capital Fund		27.26
	<u>52,418.98</u>	<u>63,192.49</u>
<u>Capital Fund</u>		
Cash	107,828.23	10,766.83
Fixed Capital	8,460,893.09	8,460,893.09
Fixed Capital - Authorized and Uncompleted	5,800,000.00	
	<u>14,368,721.32</u>	<u>8,471,659.92</u>
	<u>\$ 14,421,140.30</u>	<u>\$ 8,534,852.41</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
<u>Operating Fund</u>		
Liabilities:		
Appropriation Reserves - Encumbered	\$ 365.00	\$ 16,780.40
Appropriation Reserves	19,969.70	9,468.18
Accrued Interest Payable	4,908.33	5,233.33
Fund Balance	27,175.95	31,710.58
	<u>52,418.98</u>	<u>63,192.49</u>
<u>Capital Fund</u>		
Improvement Authorizations:		
Unfunded	5,647,088.66	
Serial Bond Payable	860,000.00	925,000.00
Reserve for Amortization	7,600,893.09	7,535,893.09
Due to Water Operating Fund		27.26
Due to General Capital Fund	250,000.00	
Fund Balance	10,739.57	10,739.57
	<u>14,368,721.32</u>	<u>8,471,659.92</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 14,421,140.30</u>	<u>\$ 8,534,852.41</u>
Bonds and Notes Authorized but Not Issued	<u>\$ 5,800,000.00</u>	<u>\$ -</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCE - OPERATING FUND
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2016 AND 2015

D-1

	<u>2016</u>	<u>2015</u>
<u>Revenue and Other Income</u>		
Miscellaneous Revenues	\$ 548.97	\$ 342.98
East Orange Water Commission Lease Fees	568,667.82	572,295.01
Appropriation Reserves Lapsed	<u>26,248.58</u>	<u>664.21</u>
Total Income	<u>595,465.37</u>	<u>573,302.20</u>
<u>Expenditures</u>		
Budget Appropriations:		
Operations	426,868.45	371,488.00
Debt Service	96,075.00	98,960.33
Statutory Expenditures	47,056.55	43,037.00
Statutory Expenditures- Deferred Charges	<u>30,000.00</u>	<u>30,000.00</u>
	<u>570,000.00</u>	<u>543,485.33</u>
Excess Revenue	25,465.37	29,816.87
<u>Fund Balance</u>		
Balance, Beginning of Year	<u>31,710.58</u>	<u>61,893.71</u>
	57,175.95	91,710.58
Decreased by:		
Amount Utilized as Current Fund Revenue	30,000.00	60,000.00
Balance, End of Year	<u>\$ 27,175.95</u>	<u>\$ 31,710.58</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY CAPITAL FUND

STATEMENT OF FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

D-2

Balance, December 31, 2016 and 2015

\$ 10,739.57

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

STATEMENT OF REVENUE - OPERATING FUND
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

D-3

<u>Source</u>	<u>Budget Revenue</u>	<u>Realized</u>	<u>(Deficit) Excess</u>
East Orange Lease Fees	\$ 570,000.00	\$ 568,667.82	\$ (1,332.18)
Miscellaneous	-	548.97	548.97
	<u>\$ 570,000.00</u>	<u>\$ 569,216.79</u>	<u>\$ (783.21)</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

D-4

Appropriation	Appropriations		Expended		Reserve For Appropriations
	Budget	Modified Budget	Paid or Charged	Encumbered	
<u>Operating</u>					
Salaries and Wages	\$ 245,000.00	\$ 245,000.00	\$ 233,260.48		\$ 11,739.52
Other Expenses	181,868.45	181,868.45	173,962.47	\$ 365.00	7,540.98
<u>Debt Service</u>					
Payment of Bond Principal	65,000.00	65,000.00	65,000.00		
Interest on Bonds	31,075.00	31,075.00	31,075.00		
<u>Statutory Expenditures</u>					
Social Security	18,742.50	18,742.50	18,053.30		689.20
Public Employees Retirement System	28,314.05	28,314.05	28,314.05		
	<u>\$ 570,000.00</u>	<u>\$ 570,000.00</u>	<u>\$ 549,665.30</u>	<u>\$ 365.00</u>	<u>\$ 19,969.70</u>
Cash Disbursements			\$ 518,590.30		
Accrued Interest on Bonds			31,075.00		
			<u>\$ 549,665.30</u>		

TOWNSHIP OF SOUTH ORANGE VILLAGE
PUBLIC ASSISTANCE FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

E

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash	\$ 583.93	\$ 582.42
	<u>\$ 583.93</u>	<u>\$ 582.42</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Due to Current Fund	\$ -	\$ 1.50
Fund Balance	<u>583.93</u>	<u>580.92</u>
	<u>\$ 583.93</u>	<u>\$ 582.42</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
TRUSTEES OF FREE PUBLIC LIBRARY

BALANCE SHEETS
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2016 AND 2015 E

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<u>Unrestricted</u>		
Cash	\$ 44,929.38	\$ 66,374.60
Cash - Money Market	88,959.48	88,689.38
	<u>133,888.86</u>	<u>155,063.98</u>
<u>Restricted</u>		
Cash	<u>199,736.90</u>	<u>199,550.69</u>
Total Assets	<u>\$ 333,625.76</u>	<u>\$ 354,614.67</u>
 <u>FUND BALANCE</u>		
Restricted for Computer Technology	\$ 199,736.90	\$ 199,550.69
Unrestricted	<u>133,888.86</u>	<u>155,063.98</u>
Total Fund Balance	<u>333,625.76</u>	<u>354,614.67</u>
Total Liabilities and Fund Balance	<u>\$ 333,625.76</u>	<u>\$ 354,614.67</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
TRUSTEES OF FREE PUBLIC LIBRARY

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

F-1

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Balance December 31, 2016</u>	<u>Balance December 31, 2015</u>
Revenue:				
Gifts	\$ 29,904.36	\$ -	\$ 29,904.36	\$ 30,228.06
Copier Fees	16,043.66		16,043.66	14,333.35
Fines and Lost Books	11,706.56		11,706.56	12,199.93
Miscellaneous	12,238.18		12,238.18	11,267.50
Interest on Deposits and Investments	272.64	186.21	458.85	505.13
State Library Aid	8,457.00		8,457.00	8,500.00
Current Fund Budget Appropriation	991,683.30		991,683.30	986,279.01
	<u>1,070,305.70</u>	<u>186.21</u>	<u>1,070,491.91</u>	<u>1,063,312.98</u>
Expenditures:				
Paid Directly by Township	825,201.30		825,201.30	819,797.01
Books and Subscriptions and Other Expenses	266,279.52		266,279.52	245,430.27
Basic Account Fee	-		-	5.00
	<u>1,091,480.82</u>	<u></u>	<u>1,091,480.82</u>	<u>1,065,232.28</u>
(Deficit) Excess Revenue	(21,175.12)	186.21	(20,988.91)	(1,919.30)
Fund Balance, Beginning of Year	<u>155,063.98</u>	<u>199,550.69</u>	<u>354,614.67</u>	<u>395,333.99</u>
Fund Balance, End of Year	<u><u>\$ 133,888.86</u></u>	<u><u>\$ 199,736.90</u></u>	<u><u>\$ 333,625.76</u></u>	<u><u>\$ 354,614.67</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE

STATEMENT OF GOVERNMENTAL FIXED ASSETS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
<u>Governmental Fixed Assets</u>		
Land and Improvements	\$ 33,982,929.00	\$ 33,982,929.00
Building and Improvements	41,932,726.00	41,052,784.00
Equipment	<u>8,511,477.00</u>	<u>8,370,209.00</u>
	<u>\$ 84,427,132.00</u>	<u>\$ 83,405,922.00</u>
Investment in Fixed Assets	<u>\$ 84,427,132.00</u>	<u>\$ 83,405,922.00</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The financial statements of the Township of South Orange Village, County of Essex, New Jersey ("Township") include every board, body, office or commission maintained wholly or in part by funds appropriated by the Township, as required by the provision of N.J.S.A. 40A:5-5. The financial statements, however, do not include the operation of School Boards, Volunteer Fire Departments and First Aid Squads, which are subject to separate audit and are considered component units under generally accepted accounting principles in the United States. Included within the financial statements are taxes levied, collected and turned over to School Boards and appropriations for contributions to Volunteer Fire Departments and First Aid Squads. Complete financial statements of these component units can be obtained by contacting the Treasurer of the respective entity.

The Governmental Accounting Standards Board and subsequent Codification (collectively, "GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB statement No. 14 as amended by GASB Statement No. 61 establishes certain standards for defining and reporting on the financial reporting entity. In accordance with these standards, the reporting entity should include the primary government and those component units which are fiscally accountable to the primary government. The municipalities in the State of New Jersey do not prepare financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and thus do not comply with all of the GASB pronouncements.

The financial statements of the Township have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), which is a regulatory basis of accounting other than US GAAP. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for its financial transactions through separate funds, which differ from the fund structure required by US GAAP.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of taxes. The Township is not includable in any other reporting entity as a component unit.

Description of Funds

The Township uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Township functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Township has the following funds and account groups:

Current Fund - This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

Trust Fund – This fund is used to record receipts, disbursements and custodianship of monies in accordance with the purpose for which each reserve was created are maintained in Trust Funds. These include the Animal Control Trust Fund, General Trust Funds, Payroll Trust Fund and Length of Service Award Program Trust.

General Capital Fund - This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Water Utility Operating and Capital Fund – This fund is treated as a separate entity and maintains its own Operating and Capital Funds, which reflect revenue, expenditures, stewardship, acquisitions of utility infrastructure and other capital facilities, debt service, long-term debt and other related activity.

Public Assistance Trust Fund - This fund is used to account for the receipts and disbursements of funds that provide assistance to certain residents of the Township pursuant to Title 44 of New Jersey Statutes.

Free Public Library Fund - This Fund is used to record Library-related revenues and expenditures of the Free Public Library, except for Library Payroll and related expenditures, which are already charged to the Township's Current Budget.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Township, other than those accounted for in the Water Utility Fund. The Township's infrastructure is not reported in the account group.

Basis of Accounting

The Township follows the regulatory basis of accounting. Under this method of accounting, revenues, except for Federal and State Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from US GAAP applicable to local government units:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The School levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Township. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April 1 in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Township also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the 11th month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

The Township may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. US GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. US GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Sewer Rents - Sewer charges are levied quarterly based upon a consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. US GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e. when they are both levied and available)

Grant and Similar Award Revenues - Federal and State grants, entitlements or shared revenues received, for purposes normally financed through the Current Fund, are recognized when anticipated in the Township's budget. US GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Township and approved by the Division per N.J.S.A. 40A:4 et seq.

The Township is not required to adopt budgets for the following funds:

Trust Funds
General Capital Fund
Water Utility Capital Fund
Public Assistance Fund
Trustees of Free Public Library

The governing body is required to introduce and approve the annual budget no later than the last day in February of the fiscal year. The budget is required to be adopted no later than April 20, and prior to adoption, must be certified by the Division. The Director of the Division, with the approval of the Local Finance Board, may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. In addition, the governing body approved several budget transfers during 2016.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

Expenditures - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations at December 31 are reported as expenditures through the establishment of appropriation reserves, unless cancelled by the governing body.

US GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31 are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under US GAAP.

Appropriation Reserves - Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under US GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to N.J.S.A. 40A:4-39 for the future payment of compensated absences. US GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Property Acquired for Taxes - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. US GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

Interfund Receivables - 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. US GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Inventories - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. US GAAP requires inventories to be recorded as assets in proprietary-type funds.

Cash and Investments - Cash includes amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. US GAAP requires that all investments be reported at fair value.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. US GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - In accordance with N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, the Township has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Township as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks are not capitalized.

Fixed Assets purchased after December 31, 1999 are stated at cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 1999 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Costs

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Accounting for Utility Fund "fixed capital" remains unchanged under N.J.A.C. 5:30-5.6.

Property and equipment purchased by the Water Utility fund is recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent replacement cost or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The Utility Capital Fund does not record depreciation on fixed assets.

US GAAP requires that capital assets be recorded in proprietary-type funds, as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, US GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

Recent Pronouncements - The GASB issued Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions in June 2015. This Statement replaces the requirements of Statement 45 and the primary objective of this Statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. Management has not yet determined the impact of the Statement on the financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

The GASB issued Statement 77, Tax Abatement Disclosures in August 2015. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2015. The Township has implemented this standard in the current year. The detail is reflected in footnote 19.

Use of Estimates – The preparation of financial statements requires management of the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Comparative Data – Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

GASB also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with US GAAP. The Township presents the financial statements listed in the table of contents, which are required by the Division, to be referenced to the supplementary schedules. This practice differs from reporting requirements under US GAAP.

2. Deposits and Investments

The Township considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

Deposits:

The Township's deposits are insured through either the Federal Deposit Insurance Corporation ("FDIC") or New Jersey's Governmental Unit Deposit Protection Act ("GUDPA"). The Township is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. GUDPA requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Custodial Credit Risk – the custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. Although the Township does not have a formal deposit policy for custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in a public depositories protected from loss under the provisions of GUDPA. Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2016 and 2015 the Township's bank balances were exposed to custodial credit risk.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

2. Deposits and Investments (continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank for periods ending December 31, 2016 and 2015. At December 31, 2016 and 2015, the book value of the Township's deposits were \$9,459,265 and \$6,505,851, respectively. The Township's deposits, which are displayed on the various fund Balance Sheets as "cash and cash equivalents", are categorized as:

<u>Depository Account</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Insured	\$ 995,190	\$ 1,000,000
Uninsured and Collateralized	<u>\$ 8,749,344</u>	<u>\$ 5,398,659</u>
	<u><u>\$ 9,744,534</u></u>	<u><u>\$ 6,398,659</u></u>

Investments:

The Township is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:515.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Township or bonds or other obligations of the School Districts which are a part of the Township or School Districts located within the Township, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 40A:5-15.1 (8a-8e).

As of December 31, 2016 and 2015, the Township had no investments.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting. Interest earned in the Utility Capital Fund is assigned to the Utility Operating Fund in accordance with the regulatory basis of accounting.

3. MUNICIPAL DEBT

The Local Bond law governs the issuance of bonds and notes to finance general capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and five months or refunded by the issuance of bonds.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

3. MUNICIPAL DEBT (continued)

The Township's debt as of December 31, is summarized as follows:

	<u>2016</u>	<u>2015</u>
<u>Issued</u>		
General:		
Bonds and Notes	\$ 47,330,368	\$ 45,085,202
Green Acres Trust Loan	77,006	83,897
Environmental Infrastructure	506,671	535,824
Water:		
Bonds and Notes	860,000	925,000
Total Debt Issued	<u>48,774,045</u>	<u>46,629,923</u>
 <u>Authorized but Not Issued</u>		
General and Water:		
Bonds and Notes	<u>6,566,500</u>	<u>6,210,000</u>
 Net Bonds and Notes Issued and Authorized but Not Issued	 <u>\$ 55,340,545</u>	 <u>\$ 52,839,923</u>

The statement of debt condition that follows is extracted from the Township's Annual Debt Statement and indicates a statutory net debt of 1.854% at December 31, 2016.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District	\$ 38,963,000	\$ 38,963,000	\$ -
Water Utility	\$ 6,660,000	\$ 6,644,336	\$ 15,664
General Debt	<u>\$ 48,680,545</u>	<u>\$ -</u>	<u>\$ 48,680,545</u>
Total	<u>\$ 94,303,545</u>	<u>\$ 45,607,336</u>	<u>\$ 48,696,209</u>

The Township's remaining borrowing power under N.J.S.A. 40A:2-6, as amended, at December 31, 2016 as follows:

3-1/2% of Equalized Valuation Basis (Municipal)	\$ 91,916,760
Net Debt	<u>(48,696,209)</u>
Remaining Statutory Borrowing Power	<u>\$ 43,220,551</u>

School Debt Deductions

School debt is deductible up to the extent of 4.0% of the Average Equalized Assessed Valuations of real property for the Local District.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

3. MUNICIPAL DEBT (continued)

Calculation of "Self-Liquidating Purposes" Water Utility per N.J.S.A. 40A:2-45

Surplus and Cash Receipts from Fees, Rent or Other Charges for Year		\$ 569,217
Deductions:		
Operating and Maintenance Costs	\$ 473,925	
Debt Service per Water/Sewer Utility	<u>96,075</u>	
		<u>570,000</u>
Deficit in Revenue		<u>(783)</u>
Gross System Debt	6,660,000	
Less: Deficit (Capitalized at 5%)	<u>15,664</u>	
Total Allowable Deduction		<u>\$ 6,644,336</u>

As there is a deficit in revenue, not all Water Utility Debt is deductible for Debt Statement purposes.

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

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

3. MUNICIPAL DEBT (continued)

General Obligation Bonds

The Township levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31, 2016 and 2015 are as follows:

Serial Bonds Payable

	2016	2015
\$2,200,000 Taxable Refunding Bonds; Annual maturities of \$300,000 to \$335,000 through December 2021, at interest rates ranging from 1.618% to 2.946%	\$ 1,585,000.00	\$ 1,885,000.00
\$9,990,000 Refunding General Improvements Bonds; Annual maturities of \$590,000 to \$635,000 through November 2029, at interest rates ranging from 2.50% to 5.00%	\$ 7,945,000.00	\$ 8,560,000.00
\$34,445,000 General Improvements Bonds; Annual maturities \$2,610,000 through January 2028, at interest rates ranging from 2.00% to 3.00%	<u>\$ 28,320,000.00</u>	<u>\$ 30,445,000.00</u>
	<u>\$ 37,850,000.00</u>	<u>\$ 40,890,000.00</u>
<u>Water Utility Bonds</u>		
\$1,075,000 Refunding Water Improvement Bonds; Annual maturities from \$60,000 to \$70,000 through November 2029, at interest rates ranging from 2.50% to 5.00%	<u>\$ 860,000.00</u>	<u>\$ 925,000.00</u>

The Township's principal and interest for general obligation bonds issued and outstanding as of December 31, 2016 is as follows:

Year	General		Water Utility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 3,115,000	\$1,030,329	\$ 65,000	\$ 29,450	\$ 3,180,000	\$1,059,779
2018	3,200,000	951,867	65,000	27,500	3,265,000	979,367
2019	2,815,000	879,131	65,000	25,550	2,880,000	904,681
2020	2,890,000	806,373	60,000	22,950	2,950,000	829,323
2021	2,970,000	733,521	60,000	21,150	3,030,000	754,671
2022-2026	15,840,000	1,955,172	340,000	67,075	16,180,000	2,022,247
2027-2029	<u>7,020,000</u>	<u>243,825</u>	<u>205,000</u>	<u>12,812</u>	<u>7,225,000</u>	<u>256,637</u>
	<u>\$ 37,850,000</u>	<u>\$6,600,218</u>	<u>\$860,000</u>	<u>\$206,487</u>	<u>\$38,710,000</u>	<u>\$6,806,705</u>

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

3. MUNICIPAL DEBT (continued)

Environmental Infrastructure Loan

An Environmental Infrastructure Loan was obtained by the Joint Sewer Authority of Union and Essex County, of which the Township is a member. Each member town was required to adopt an ordinance for their share of the cost. Total cost for the Township was \$435,444. The Township obtained ARRA funding in the sum of \$206,962, which reduced its debt payments to \$228,481. The following is the remaining debt on the loan in the sum of \$506,671.

The Township's principal and interest for New Jersey Environmental Trust and Fund Loans outstanding as of December 31, 2016 is as follows:

Calendar Year	General	
	Principal	Interest
2017	\$ 29,154.00	\$ 8,175.00
2018	29,154	7,675
2019	29,154	7,175
2020	29,154	6,725
2021	29,153	6,225
2022-2026	145,767	24,625
2027-2031	144,530	12,400
2032-2034	70,605	2,400
	<u>\$ 506,671</u>	<u>\$ 75,400</u>

Green Acres Trust Loan

The New Jersey Green Acres Trust Loan obtained in 2007 for \$137,250 requiring semi-annual installments of \$4,267, including interest at the rate of 2% and has a remaining balance of \$77,006 at December 31, 2016.

The Township's principal and interest for the Green Acres Trust Loan outstanding as of December 31, 2016 is as follows:

Calendar Year	General	
	Principal	Interest
2017	\$ 7,029	\$ 1,505
2018	7,171	1,364
2019	7,315	1,220
2020	7,462	1,073
2021	7,612	923
2022-2026	40,417	2,256
	<u>\$ 77,006</u>	<u>\$ 8,341</u>

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

3. MUNICIPAL DEBT (continued)

Changes in Long-Term Municipal Debt

The Township's long-term capital debt activity for 2016 and 2015 is as follows:

	Balance December 31, 2015	Increases	Reductions	Balance December 31, 2016	Due Within One Year
General Capital Fund					
Bonds Payable	\$ 40,890,000	\$	\$ 3,040,000	\$ 37,850,000	\$ 3,115,000
Environmental					
Infrastructure Loan	535,824		29,153	506,671	29,154
Green Acres Loan	83,897		6,891	77,006	6,891
	<u>41,509,721</u>		<u>3,076,044</u>	<u>38,433,677</u>	<u>3,151,045</u>
Water Utility Fund					
Bonds Payable	925,000		65,000	860,000	65,000
Total	<u>\$ 42,434,721</u>	<u>\$ -</u>	<u>\$ 3,141,044</u>	<u>\$ 39,293,677</u>	<u>\$ 3,216,045</u>
	Balance December 31, 2014	Increases	Reductions	Balance December 31, 2015	Due Within One Year
General Capital Fund					
Bonds Payable	\$ 44,025,000	\$	\$ 3,135,000	\$ 40,890,000	\$ 3,040,000
Environmental					
Infrastructure Loan	196,797	381,186	42,159	535,824	29,154
Green Acres Loan	88,742	1,910	6,755	83,897	6,891
	<u>44,310,539</u>	<u>383,096</u>	<u>3,183,914</u>	<u>41,509,721</u>	<u>3,076,045</u>
Water Utility Fund					
Bonds Payable	990,000		65,000	925,000	65,000
Total	<u>\$ 45,300,539</u>	<u>\$ 383,096</u>	<u>\$ 3,248,914</u>	<u>\$ 42,434,721</u>	<u>\$ 3,141,045</u>

Short-Term Debt

The Township's short-term capital debt activity for 2016 and 2015 is as follows:

	Balance, December 31, 2015	Additions	Reductions	Balance, December 31, 2016
Bond Anticipation Notes	\$ 4,195,202	\$ 9,480,368	\$ 4,195,202	\$ 9,480,368
Emergency Note	<u>300,000</u>	<u>567,739</u>	<u>300,000</u>	<u>567,739</u>
Total	<u>\$ 4,495,202</u>	<u>\$ 10,048,107</u>	<u>\$ 4,495,202</u>	<u>\$ 10,048,107</u>
	Balance, December 31, 2014	Additions	Reductions	Balance, December 31, 2015
Bond Anticipation Notes		\$ 4,195,202		\$ 4,195,202
Emergency Note		<u>300,000</u>		<u>300,000</u>
Total		<u>\$ 4,495,202</u>		<u>\$ 4,495,202</u>

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

4. FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the General Fixed Assets account group as of December 31, 2016 and 2015:

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016
Land and Land Improvements	\$ 33,982,929			\$ 33,982,929
Buildings and Building Improvements	41,052,784	879,942		41,932,726
Machinery and Equipment	8,370,209	141,268		8,511,477
	<u>\$ 83,405,922</u>	<u>\$ 1,021,210</u>		<u>\$ 84,427,132</u>
	Balance December 31, 2014	Additions	Reductions	Balance December 31, 2015
Land and Land Improvements	\$ 33,963,729	\$ 19,200		\$ 33,982,929
Buildings and Building Improvements	41,052,784			41,052,784
Machinery and Equipment	7,934,264	435,945		8,370,209
	<u>\$ 82,950,777</u>	<u>\$ 455,145</u>	<u>\$ -</u>	<u>\$ 83,405,922</u>

Utility Fund Fixed Assets

The following is a summary of changes in the Utility Fund fixed assets as of December 31, 2016 and 2015:

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016
Water Utility Fund				
Fixed Capital				
Land and Land Improvements	\$ 3,048,937	\$	\$	\$ 3,048,937
Buildings and Building Improvements	1,371,781			1,371,781
Machinery and Equipment	4,040,175			4,040,175
	<u>\$ 8,460,893</u>	<u>\$</u>	<u>\$</u>	<u>\$ 8,460,893</u>
	Balance December 31, 2014	Additions	Reductions	Balance December 31, 2015
Fixed Capital				
Land and Land Improvements	\$ 3,048,937	\$ -	\$ -	\$ 3,048,937
Buildings and Building Improvements	1,371,781			1,371,781
Machinery and Equipment	4,040,175			4,040,175
	<u>\$ 8,460,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,460,893</u>

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

5. DUE TO/FROM OTHER FUNDS

As of December 31, 2016 and 2015, interfund receivables and payables that resulted from various interfund transactions are as follows:

	2016		2015	
	Due From Other Funds	Due To Other Funds	Due From Other Funds	Due To Other Funds
Current Fund	\$	\$	\$ 8,407	\$ 221,667
Federal/State Grant Fund	1,862			5,127
General Trust Fund		1,862		1,803
Payroll Trust Fund				1,476
Animal Control Fund				1
General Capital Fund	250,000		221,667	
Water Utility Operating Fund		250,000		
Water Utility Capital Fund			27	27
	<u>\$ 251,862</u>	<u>\$ 251,862</u>	<u>\$ 230,101</u>	<u>\$ 230,101</u>

The above balances are the result of expenditures being paid by one fund on behalf of another. The Township expects all interfund balances to be liquidated within one year.

6. FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Utility Operating Fund are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services, if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year, were as follows:

	2016		2015	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	<u>\$ 1,637,297</u>	<u>\$ 920,000</u>	<u>\$ 350,621</u>	<u>\$ 250,000</u>
Water Utility Operating Fund				
Cash Surplus	<u>\$ 27,176</u>	<u>\$</u>	<u>\$ 31,711</u>	<u>\$</u>

The above fund balance amounts utilized represents the surplus anticipated in the 2017 and 2016 municipal budgets.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

7. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

As noted in Note 1, certain expenditures are required to be deferred to budgets of succeeding years.

The following deferred charges are shown of the December 31, 2016 and 2015 balance sheet of the Township's Current Fund.

	2016	2015
Special Emergency Authorization (40A:4-53)	\$	\$ 50,000
Emergency Authorization	567,740	300,000
	<u>567,740</u>	<u>\$ 350,000</u>

The special emergency authorizations consist of \$300,000 of appropriations to pay the costs associated with tax appeals and \$267,740 for general liability insurance. Of these balances, \$397,200 of the deferred charges will be raised in the Township's 2017 Current Fund budget.

8. COMPENSATED ABSENCES

Under the existing policies and labor agreements of the Township, employees are allowed to accumulate, with certain restrictions, unused vacation benefits, sick leave and compensation time in lieu of overtime over the life of their working careers and to redeem such unused leave time in cash upon death, retirement or by extended absence immediately preceding retirement. The Township's total liability for sick time as of December 31, 2016 and 2015, based on contractual limits, is unknown. This amount is not an immediate liability of the Township and the likelihood of this amount becoming due and payable at any time within the next twelve months is remote.

9. EMPLOYEE RETIREMENT SYSTEMS

Substantially, all Township employees participate in the Public Employees' Retirement System or the Police and Firemen's Retirement System. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges municipalities annually for their respective contributions. The plans provide retirement and disability benefits, annual cost sharing multiple-employer defined benefit plans and as such do not maintain separate records for each municipality in the state and, therefore, the actuarial data for the Township if not available. The Division of Pensions issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.

Covered employees are required by State statute to contribute a certain percentage of their salary to the plan. Each member's percentage is based on age determined at the effective date of enrollment. In addition, the PERS and PFRS bill the Township annually at an actuarially determined rate for its required contribution. The current rate is 7.20% and 10.00%, respectively, of annual covered payroll. The contribution requirements of plan members and the Township are established and may be amended by the Board of Trustees of the respective plan. The Township's contributions to the PERS for the years ended December 31, 2016, 2015 and 2014 were \$498,382, \$442,228 and \$411,372, respectively, equal to the required contributions for the year. The Township's contributions to the PFRS for the years ended December 31, 2016, 2015 and 2014 were \$2,168,053, \$2,019,158 and \$1,944,864, respectively, equal to the required contributions for each year.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

9. EMPLOYEE RETIREMENT SYSTEMS (continued)

Other Post-Retirement Benefits Other Than Pension
State Health Benefits Program (SHBP)

Plan Description – The Township contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

The Township does not pay retirement benefits for any retired employees.

Public Employee Retirement System

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Inactive plan members or beneficiaries currently receiving benefits	170,685	166,637
Inactive plan members entitled to but not yet receiving benefits	650	703
Active plan members	<u>254,685</u>	<u>289,161</u>
 Total	 <u>426,020</u>	 <u>456,501</u>

Contributing Employers – 1,710

Significant Legislation – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2016, the State was required to make a minimum contribution representing 5/7th of the actuarially determined contribution amount based on the July 1, 2014 actuarial valuation.

TOWNSHIP OF SOUTH ORANGE VILLAGE
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9. EMPLOYEE RETIREMENT SYSTEMS (continued)

Chapter 19, P.L. 2009, effective March 17, 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 an employer 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 PERS, 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.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended December 31, 2016 and 2015 the Township's total payroll for all employees was \$15,225,404 and \$14,595,297. Total PERS covered payroll was \$4,438,737 and \$4,432,984. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Township to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015 and increased to 7.06 for State fiscal year 2016, commencing July 1, 2016. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Township's cash basis contributions to the Plan for the years ended December 2016 and 2015 were \$498,382 and \$442,228, respectively. Township contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

The Township recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008
3	Members who were eligible 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

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 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 tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members 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 retirement age of his/her

TOWNSHIP OF SOUTH ORANGE VILLAGE
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DECEMBER 31, 2016 AND 2015

9. EMPLOYEE RETIREMENT SYSTEMS (continued)

respective tier. 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.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Township's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Township does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable. At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Non-State Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Township was \$18,629,355 or 0.0629006060%. At June 30, 2015, the PERS reported a net pension liability of \$22,447,996,119 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's the net pension liability for the Non-State Employer Member Group that is attributable to the Township was \$13,012,985 or 0.0579694735%.

At December 31, 2016, the Township's deferred outflows of resources and deferred inflows of resources related to PERS were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expended and actual experience	\$ 1,056,804	\$
Changes in assumptions	3,859,007	
Net difference between projected and actual earnings on pension plan investments		
Changes in proportion	1,345,202	97,287
Township contributions subsequent to the measurement date	558,800	

\$558,800 shown as deferred outflows of resources related to PERS resulting from Township contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS should have been recognized in pension expense as follows, if GASB #68 was recognized:

<u>Year ended December 31,</u>	<u>Amount</u>
2017	\$ 1,405,525
2018	1,433,807
2019	1,433,807
2020	1,322,856
2021	567,731
Total	\$ 6,163,726

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
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9. EMPLOYEE RETIREMENT SYSTEMS (continued)

Actuarial Assumptions- The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2016	June 30, 2015
Inflation	3.08%	3.04%
Salary Increases (2012-2026)	1.65 - 4.15% Based on age	2.15 - 4.40% Based on age
Thereafter	2.65 - 5.15% Based on age	3.15 - 5.40% Based on age
Investment rate of return	7.65%	7.90%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

TOWNSHIP OF SOUTH ORANGE VILLAGE
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9. EMPLOYEE RETIREMENT SYSTEMS (continued)

	June 30, 2016		June 30, 2015	
<u>Asset Class</u>	Target <u>Allocation</u>	Long-Term Expected Real <u>Rate of Return</u>	Target <u>Allocation</u>	Long-Term Expected Real <u>Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Markets	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Returns	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
U.S. Treasuries	1.50%	1.64%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Net Pension Liability – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
Township's proportionate share	\$22,828,100	\$18,629,355	\$15,162,927

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

9. EMPLOYEE RETIREMENT SYSTEMS (continued)

Plan Fiduciary Net Position – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2016 and 2015 were \$26,762,070,610 and \$28,553,566,906, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2016 and 2015 was \$19,857,566,387 and \$20,661,583,919, respectively.

Additional information

Collective Local Group balances at June 30, 2016 are as follows:

Collective deferred outflows of resources	\$ 8,685,338,380
Collective deferred inflows of resources	\$ 870,133,595
Collective net pension liability	\$ 29,617,131,759
Township's Proportion	0.0629006060%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 and 2015 \$2,830,763,540 and \$1,481,308,816, respectively.

The average of the expected remaining service lives of all plan members is 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014, respectively.

Police and Firemen's Retirement System

The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016 and 2015:

	2016	2015
Inactive plan members or beneficiaries currently receiving benefits	\$ 40,789	\$ 44,252
Inactive plan members entitled to but not yet receiving benefits	47	51
Active plan members	45,625	40,359
Total	<u>\$ 86,461</u>	<u>\$ 84,662</u>

Contributing Employers – 585

In addition to the State, who is the sole payer of regular employer contributions to the fund, PFRS's contributing employers include boards of education who elected to participate in the Early Retirement Incentive Program (ERIP) and are legally responsible to continue to pay towards their incurred liability. The current number of ERIP Contributing Employers is 26.

Significant Legislation – For State of New Jersey contributions to PFRS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2016, the State was required to make a minimum contribution representing 5/7th of the actuarially determined contribution amount based on the July 1, 2014 actuarial valuation.

TOWNSHIP OF SOUTH ORANGE VILLAGE
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9. EMPLOYEE RETIREMENT SYSTEMS (continued)

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

For the years ended December 31, 2016 and 2015 the Township's total payroll for all employees were \$15,225,404 and \$14,595,297, respectively. Total PFRS covered payroll was \$7,796,894 and \$8,144,905. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Township to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employer contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Township's cash basis contributions to the Plan for the years ended December 31, 2016 and 2015 were \$2,168,053 and \$2,019,158, respectively. Township contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

The Township recognizes liabilities to PFRS and records expenditures for same in the fiscal period that bills become due.

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

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
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 on or after June 28, 2011

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

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Township's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Township does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2016, the PFRS reported a net pension liability of \$20,706,699,056 for its Non-State, Non-Special Funding Situation Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$48,567,212, or 0.2542445473%. At June 30, 2015, the PFRS reported a net pension liability of \$18,117,234,618 for its Non-State, Non-Special Funding Situation Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$44,426,608, or 0.2667221196%.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
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9. EMPLOYEE RETIREMENT SYSTEMS (continued)

At December 31, 2016, the Township's deferred outflows of resources and deferred inflows of resources related to PERS were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expended and actual experience	\$	\$ 318,365.00
Changes of assumptions	6,726,958	
Net difference between projected and actual earnings on pension plan investments	3,403,007	
Changes in proportion		1,687,113
Township contributions subsequent to the measurement date	2,072,959	

\$2,072,959 is reflected above as deferred outflows of resources related to pensions resulting from Township contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense on the GAAP basis as follows:

<u>Year ended December 31.</u>	<u>Amount</u>
2017	\$ 2,191,938
2018	2,191,938
2019	2,191,940
2020	1,507,683
2021	368,752
Total	\$ 8,452,251

Actuarial Assumptions- The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Inflation	3.08%	3.04%
Salary Increases (2012-2026)	2.10 - 8.98% Based on age	2.60 - 9.48% Based on age
Thereafter	3.10 - 9.98% Based on age	3.60 - 10.48% Based on age
Investment rate of return	7.65%	7.90%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality tables were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

9. EMPLOYEE RETIREMENT SYSTEMS (continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2016 and 2015 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Target</u>	<u>Long-Term</u>	<u>Target</u>	<u>Long-Term</u>
	<u>Allocation</u>	<u>Expected Real</u>	<u>Allocation</u>	<u>Rate of Return</u>
		<u>Rate of Return</u>		<u>Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Markets	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Returns	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
U.S. Treasuries	1.50%	1.64%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

9. EMPLOYEE RETIREMENT SYSTEMS (continued)

Sensitivity of Net Pension Liability – the following presents the net pension liability of PFRS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u>	<u>At current discount rate</u>	<u>At 1% increase</u>
PFRS	\$ 62,623,859	\$ 48,567,212	\$ 37,104,862

Plan Fiduciary Net Position – The plan fiduciary net position for PFRS at June 30, 2016 and 2015 was \$23,984,726,664 and \$25,106,858,921, respectively.

Additional information

Collective Local Group balances at June 30, 2016 are as follows:

Collective deferred outflows of resources	\$	4,547,316,543
Collective deferred inflows of resources		688,197,590
Collective net pension liability		20,706,699,056
Township's Proportion		0.2542445473%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 and 2015 \$2,255,296,958 and \$1,645,612,699, respectively. The average of the expected remaining service lives of all plan members is 5.58, 5.53 and 6.17 years for 2016, 2015 and 2014, respectively.

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 amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and the State is treated as a non-employer contributing entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Township as of June 30, 2016 and 2015 are 0.2542445473% and 0.2667221196% and the non-employer contributing entities' contribution for the year ended June 30, 2016 and 2015 was \$156,274 and \$202,810. The State's proportionate share of the net pension liability attributable to the Township for the years ended December 31, 2016 and 2015 was \$4,078,441 and \$3,896,064, respectively.

10. HEALTH BENEFITS

The State of New Jersey adopted P.L. 2011 Chapter 78 which requires all municipalities to increase the share of health benefit coverage paid by public employees and retirees who receive employer paid health benefits. The law changes the health care contributions standards set in Chapter 2 of 2010, by increasing the amounts contributed. The contribution rates are increased over a four year period and are based on an employee's contractual salary. The law became effective for non-union contract agreements on July 1, 2011, which was then extended to October 1 and for all union contracts after they expire. In the Township, all union contracts expired December 31, 2011. The new contribution rates began on January 1, 2012.

TOWNSHIP OF SOUTH ORANGE VILLAGE
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DECEMBER 31, 2016 AND 2015

11. LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED

The Township has established a LOSAP in accordance with N.J.A.C. 5:30-14. Annually, the Township appropriates funds and makes contributions into the LOSAP on behalf of its active emergency service volunteers that are tax-deferred income benefits. In accordance with N.J.A.C. 5:30-14, the funds held in the LOSAP remain the assets of the Township until they are distributed and as such are subject to the claims of the Township's general creditors. As of December 31, 2016 and 2015, there was \$291,263 and \$264,257, respectively, held in the LOSAP and is recorded in the Trust Fund of the Township as funds held in trust. The plan is administered by The Lincoln Financial Group.

12. TAX APPEALS

There are several tax appeals pending before the State Tax Court of New Jersey requesting a reduction of assessments for the year 2016 and prior. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues, through the establishment of a reserve or by the issuance of refunding bonds per N.J.S. 40A:2-51. The Township has made a provision from tax revenues, in the amount of \$31,056 for these appeals in the event that the tax reductions are granted. In accordance with the National Council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, the Township charges to current fund operations or a reduction of current tax collections, all state board judgments rendered during the year which will be paid from expendable available resources. The Township's share of the County taxes paid on any successful tax appeal would result in appropriate reductions applied against the County tax levy of the following year.

13. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Township is a member of the Suburban Essex County Municipal Joint Insurance Fund ("JIF"), is a public entity risk pool currently operating as a common risk management and insurance program for 19 municipalities and one school district established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workers' compensation. While additional assessments or premiums can be levied by the Fund to ensure payment of the JIF obligations, no such additional premiums have been necessary as of December 31, 2016.

The JIF is self-sustaining through member premiums, reported as an expenditure in the Township's financial statements. The JIF contracts for excess liability insurance for property, general liability, auto liability, public official liability, law enforcement liability and workers' compensation. The Township continues to carry commercial insurance for other risks of loss, principally employee health insurance.

14. COMMITMENTS AND CONTINGENCIES

The Township receives financial assistance from the State of New Jersey and U.S. Government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes.

Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by the grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2016, the Township estimates that no material liabilities will result from such audits. The Township is involved in certain legal proceedings, the resolution and impact on the financial statements of which, individually or in the aggregate, in the opinion of management as advised by legal counsel, would not be significant to the accompanying financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

15. AGREEMENT WITH THE EAST ORANGE BOARD OF WATER COMMISSIONERS

The East Orange Board of Water Commissioners (the "Commission") provides water supply for the Township and operates, maintains and manages and is governed by an agreement between the Commission and the Township (the "Agreement") the Municipal Water Company System, (the "System") currently owned by the Township. The Agreement with the Township covers a period of 20 years commencing April 1, 1996 and it may be extended for an additional 10 years. Under the Agreement, the Commission is entitled to receive the revenues generated from the user charges to water customers and is also responsible for the billing and collection of such user charges. User charges are based on annual base rates established in the agreement over the 20-year period, subject to certain specific adjustments. The Commission is required to pay the Township \$50,000 annually, (increased by CPI for customer service, \$50,000 annually for water drawn from the Township's Well 17, and all of the Township's Water Utility debt service. For each year during the term of this Agreement, the Commission shall prepare a Capital Improvement budget. Commencing on April 1, 2001, the Commission shall make a payment to the Township, to be allocated to the Capital Improvement budget for the System, in the amount of \$200,000.00 per year. Unexpended funds in any given year shall be placed in a segregated interest-bearing account under the Township's control; however, the authorized signatures on this account are Commission representatives. The Commission is required to have contributed a total of \$3,000,000.00 for System capital improvements no later than April 1, 2016. This Agreement may be terminated for cause by the Township or by the Commission. Such termination entitles the Commission to be reimbursed for costs as computed in accordance with the provisions of the Agreement. The agreement was terminated as of December 31, 2016. The Township entered into an agreement with New Jersey American Water commencing on January 1, 2017.

16. SOUTH ORANGE PERFORMING ARTS CENTER

As an example of public-private partnership, the South Orange Performing Arts Center (the "SOPAC") opened in October of 2006. This is a partnership between the Township, SOPAC, a 501(c)(3) Corporation, and Seton Hall University ("SHU"). The SOPAC, as a nonprofit organization independent of the Township, is managing the day-to-day affairs of the SOPAC and both the Township and Seton Hall provided funding for construction of the project. A substantial portion the funding from the Township comes from an Essex County Improvement Authority loan and the Community Development Block Grant ("CDBG"). The Township has acted as a pass-through agency between CDBG and SOPAC. In addition, SHU is providing private funding for construction and design through the Township. The result will be a shared-use facility between the SOPAC and SHU. The Township supported the SOPAC's operations in 2006 with \$300,000.00 from its Current Fund. Construction loans in the amount of \$14,295,373 have been provided to SOPAC since the creation of the 501(c)(3) corporation.

On June 1, 2005, the Township executed a term loan mortgage on in the amount of \$10,600,000 to finance the construction of the SOPAC facility. The Township financed this mortgage with the proceeds from the sale of general obligation bonds. Repayments from the SOPAC on this loan commenced in July 2009 through June 2045.

On July 24, 2006, the Township financed an additional \$3,695,373 to the SOPAC evidenced by a term loan note.

On February 24, 2009, the Township financed an additional \$275,000 to the SOPAC evidenced by a term loan note.

On June 17, 2014, the Township passed an ordinance whereby the Agreement with the South Orange Performing Arts Center (the "Arts Center") was amended. The Township will take over ownership of the Arts Center in exchange for release of all outstanding debt. A new nominal rent lease with SOPAC was entered into whereby SOPAC will continue to be responsible for operations and maintenance of the Arts Center. In four years the rent from the movie theater located at the Arts Center will be turned over to the Township.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

17. SETON HALL UNIVERSITY

The Township has funded \$1,000,000.00 for certain construction costs, which is being repaid by SHU 2006-2025, at \$50,000.00 per year plus interest ranging from 4 – 5%. At December 31, 2016, the outstanding balance due from SHU is \$450,000.00.

18. FEDERAL ARBITRAGE REGULATIONS

The Township is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on a tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (“IRS”) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2016, the Township had no estimated arbitrage earnings due to the IRS.

19. GASB 77 TAX ABATEMENTS

The Township has entered into several property tax abatement agreements in order to provide incentives to redevelop areas that are in need for improvement or to create economic growth. These agreements are authorized under various New Jersey state statutes. The following represent the Township’s most significant tax abatement agreements:

Entity Name	Pilot Billing	Taxes If Billed In Full	Abated Taxes
Gaslight Commons	\$ 784,165	\$ 1,050,174	\$ 266,009
The Avenue	338,617	595,886	257,268
Ashley/Above	120,761	135,848	15,087
Gateway	183,137	800,052	616,915
3rd and Valley	<u>30,239</u>	<u>2,119,016</u>	<u>2,088,778</u>
Total	<u>\$ 1,456,919</u>	<u>\$ 4,700,975</u>	<u>\$ 3,244,057</u>

20. SUBSEQUENT EVENTS

The Township has evaluated subsequent events occurring after December 31, 2016 through June 29, 2017, which is the date the financial statements were available to be issued. Based on this evaluation, management has determined that no events require disclosure.

**2017 Unaudited
Financial Statements**

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UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2017 AND 2016

A
Sheet #1

	<u>2017</u>	<u>2016</u>
Cash	\$ 10,919,213.53	\$ 3,133,790.91
Change Funds	325.00	325.00
Due from State of New Jersey:		
Ch. 129, P.L. 1976	15,825.34	16,325.34
	<u>10,935,363.87</u>	<u>3,150,441.25</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Taxes Receivable	945,768.07	794,649.51
Tax Title Liens	5,772.88	139,546.14
Other Accounts Receivable	1,200.20	
Property Acquired for Taxes at Assessed Valuation	417,253.87	282,900.00
Improvement District Tax Receivable	176.45	1,345.80
Revenue Accounts Receivable	153,517.70	264,643.83
Interfunds Receivable	2,433.09	
	<u>1,526,122.26</u>	<u>1,483,085.28</u>
Deferred Charges	<u>-</u>	<u>567,739.96</u>
	<u>12,461,486.13</u>	<u>5,201,266.49</u>
Federal and State Grant Fund:		
Cash	70,963.56	65,651.24
Federal and State Grants Receivable	3,285,302.60	3,250,897.39
	<u>3,356,266.16</u>	<u>3,316,548.63</u>
	<u>\$ 15,817,752.29</u>	<u>\$ 8,517,815.12</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2017 AND 2016

A
Sheet #2

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2017</u>	<u>2016</u>
Expenditure Reserves:		
Appropriation Reserves:		
Encumbered	\$ 368,667.07	\$ 486,932.55
Unencumbered	507,405.16	244,207.49
Tax Overpayments	69,639.48	150,557.08
Sewer Rent Overpayments	2,325.06	6.07
Accounts Payable	71,450.88	6,510.00
Emergency Note Payable	-	567,739.00
School Taxes Payable	33,820.50	33,821.00
County Taxes Payable	19,111.03	12,491.61
Various Reserves	214,311.15	152,056.26
Prepaid Taxes and Sewer Rents	7,459,464.97	426,561.20
Improvement District Tax Payable	-	2.13
	<u>8,746,195.30</u>	<u>2,080,884.39</u>
Reserve for Receivables and Other Assets	1,526,122.26	1,483,085.28
Fund Balance	<u>2,189,168.57</u>	<u>1,637,296.82</u>
	<u>12,461,486.13</u>	<u>5,201,266.49</u>
Federal and State Grant Fund:		
Interfund Payable	-	1,862.24
Appropriated Reserves	3,331,609.49	3,309,969.39
Unappropriated Reserves	24,656.67	4,717.00
	<u>3,356,266.16</u>	<u>3,316,548.63</u>
	<u>\$ 15,817,752.29</u>	<u>\$ 8,517,815.12</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
<u>Revenue and Other Income</u>		
Fund Balance Utilized	\$ 998,000.00	\$ 250,000.00
Miscellaneous Revenue Anticipated	11,773,209.44	11,045,495.24
Receipts from Delinquent Taxes	794,646.16	965,942.96
Receipts from Current Taxes	86,345,945.73	84,606,069.90
Nonbudget Revenue	128,301.52	640,436.25
Other Credits to Income:		
Special Improvement District Receivable Liquidated	1,169.35	154.37
Appropriation Reserves Lapsed	223,384.70	141,903.46
Tax Overpayments Canceled		5,743.94
Sewer Rent Overpayments Canceled	6.07	
Special Improvement District Overpayments Canceled	2.13	
Cancellation of Grant Appropriated Reserve Balance		399,340.70
Prior Year Interfunds Returned		8,406.76
Accounts Payable Canceled	6,510.00	
	<u>100,271,175.10</u>	<u>98,063,493.58</u>
Total Revenue and Other Income		
<u>Expenditures</u>		
Budget and Emergency Appropriations	34,640,896.66	34,186,138.52
Prior Year Senior Citizen Deduction Disallowed	500.00	-
Interfunds Established	2,433.09	-
Local Open Space Tax	283,869.96	223,493.15
County Taxes	14,053,462.64	13,635,669.49
Regional District School Tax	49,740,141.00	48,937,633.00
Cancellation of Grant Receivable Balances	-	111,563.71
Cancellation of Other Accounts Receivable		60.00
	<u>98,721,303.35</u>	<u>97,094,557.87</u>
Total Expenditures		
Excess of Revenue	1,549,871.75	968,935.71
Add: Adjustments to Income before Fund Balance:		
Expenditures Included Above Which are by Statute		
Deferred Charges to Budget of Succeeding Year	-	567,739.96
	<u>1,549,871.75</u>	<u>1,536,675.67</u>
Statutory Excess to Fund Balance		
<u>Fund Balance</u>		
Balance, Beginning of Year	1,637,296.82	350,621.15
	<u>3,187,168.57</u>	<u>1,887,296.82</u>
Decreased by:		
Utilized as Anticipated Revenue	998,000.00	250,000.00
	<u>2,189,168.57</u>	<u>1,637,296.82</u>
Balance, End of Year		

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

A-2
Sheet #1

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Appropriated	\$ 998,000.00	\$ 998,000.00	\$
<u>Miscellaneous Revenues</u>			
Alcoholic Beverage Licenses	30,550.00	30,850.00	300.00
Other Licenses	21,534.00	22,960.00	1,426.00
Fees and Permits	90,164.00	96,028.54	5,864.54
Municipal Court Fines and Costs	775,000.00	824,039.90	49,039.90
Interest and Cost on Taxes	254,000.00	221,815.56	(32,184.44)
Interest on Investments and Deposits	28,000.00	94,848.54	66,848.54
Recreation Receipts	951,000.00	926,818.48	(24,181.52)
Sewer User Fees	2,324,000.00	2,375,957.54	51,957.54
Cable TV Franchise Fee	218,421.64	218,421.64	-
Payment in Lieu of Taxes	2,600,000.00	3,018,922.15	418,922.15
Cell Tower Rental Fee	139,719.95	122,054.04	(17,665.91)
Energy Receipts Tax	1,456,861.00	1,439,467.68	(17,393.32)
Uniform Construction Code Fees	811,152.00	899,127.00	87,975.00
Uniform Fire Safety Act	19,776.90	19,682.65	(94.25)
General Capital Fund Balance	300,000.00	300,000.00	-
Rent - Walton Ave	40,000.00	30,000.00	(10,000.00)
Seton Hall Debt Service Payment	72,000.00	68,562.50	(3,437.50)
FEMA	50,000.00	290,800.12	240,800.12
Police Side Job Fees	87,870.00	58,132.50	(29,737.50)
Shared IT Services	44,120.00	67,818.28	23,698.28
SEJIF Dividend	42,070.09	42,070.09	-
Joint Meeting Refund of Surplus	114,850.63	114,850.63	-
	<u>10,471,090.21</u>	<u>11,283,227.84</u>	<u>812,137.63</u>
 Federal and State Grants:			
Alcohol Education and Rehabilitation	514.72	514.72	-
Municipal Alliance Grant	26,483.00	26,483.00	-
Council of the Arts	14,150.00	14,150.00	-
Recycling Tonnage Grants	58,363.31	58,363.31	-
Cops in Shops	5,400.00	5,400.00	-
Clean Communities	28,455.04	28,455.04	-
Grotta Fund Planning Grant	75,000.00	75,000.00	-
Sustainable Jersey Small Grants Program	20,000.00	20,000.00	-
NJ American Water Grant	10,000.00	10,000.00	-
New Jersey Transportation Trust Fund - Academy Street	240,000.00	240,000.00	-
Pedestrian Safety Grant - Chapter 159	7,500.00	7,500.00	-
Body Armor Replacement Fund - Chapter 159	4,115.53	4,115.53	-
	<u>489,981.60</u>	<u>489,981.60</u>	<u>-</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

A-2
Sheet #2

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Total Miscellaneous Revenue	<u>\$ 10,961,071.81</u>	<u>\$ 11,773,209.44</u>	<u>\$ 812,137.63</u>
Receipts from Delinquent Taxes	<u>825,548.68</u>	<u>794,646.16</u>	<u>(30,902.52)</u>
Amount to be Raised by Taxes for Support of Municipal Budget:			
Minimum Library Tax	901,507.00	901,507.00	
Local Tax for Municipal Purpose	<u>22,231,869.53</u>	<u>22,641,965.13</u>	<u>410,095.60</u>
	<u>23,133,376.53</u>	<u>23,543,472.13</u>	<u>410,095.60</u>
	35,917,997.02	37,109,327.73	1,191,330.71
Nonbudget Revenue	<u> </u>	<u>128,301.52</u>	<u>128,301.52</u>
	<u>\$ 35,917,997.02</u>	<u>\$ 37,237,629.25</u>	<u>\$ 1,319,632.23</u>
 Budget Revenue	 \$ 35,906,381.49		
Special Items of Revenue	<u>11,615.53</u>		
	<u>\$ 35,917,997.02</u>		

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
ANALYSIS OF REALIZED REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

A-2a

<u>Allocation of Tax Collections</u>	<u>Total</u>	<u>Receipts from Delinquent Taxes</u>	<u>Current Tax Collections</u>
Taxes Receivable Cash Receipts	\$ 86,676,530.59	\$ 794,646.16	\$ 85,881,884.43
Exemptions Granted	37,500.00		37,500.00
Prepaid Taxes Applied	426,561.30		426,561.30
Total Revenue	<u>87,140,591.89</u>	<u>794,646.16</u>	<u>86,345,945.73</u>
Allocated to:			
County Levy and Added Taxes	(14,053,462.64)		(14,053,462.64)
Regional District School Taxes	(49,740,141.00)		(49,740,141.00)
Local Open Space	(283,869.96)		(283,869.96)
Plus: Reserve for Uncollected Taxes	<u>1,275,000.00</u>		<u>1,275,000.00</u>
Realized Revenue	<u>\$ 24,338,118.29</u>	<u>\$ 794,646.16</u>	<u>\$ 23,543,472.13</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
ANALYSIS OF NONBUDGET REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

A-2b

Miscellaneous Revenue Not Anticipated

Cash Receipts:

Miscellaneous Overpayments	\$ 2,144.00
Gas Light Ads	6,100.00
Other	81,268.95
Board of Elections	120.00
Bid Specs	810.00
Copies	288.36
Bounced Check Fee	2,080.00
Miscellaneous	31,741.93
Finance	58.42
Health Benefits Insurance	3,479.86
Recreation	180.00
Health Department	30.00
	<u>\$ 128,301.52</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-3
Sheet # 1

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

Appropriation	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT</u>						
Administrative and Executive:						
Salaries and Wages	\$ 290,000.00	\$ 348,394.49	\$ 348,394.49			
Other Expenses	400,000.00	450,000.00	346,337.94	\$ 4,331.67	\$ 99,330.39	
Mayor and Council:						
Other Expenses	4,000.00	4,000.00	1,779.08	561.00	1,659.92	
Village Committee:						
Other Expenses	45,000.00	46,000.00	45,712.34		287.66	
Office of Village Clerk:						
Salaries and Wages	170,000.00	109,560.16	109,560.16			
Other Expenses	28,000.00	28,000.00	27,856.30	100.00	43.70	
Financial Administration:						
Salaries and Wages	38,200.00	5,306.04	5,306.04		0.00	
Other Expenses	280,000.00	330,000.00	305,959.21		24,040.79	
Annual Audit	42,000.00	42,000.00	39,500.00		2,500.00	
Assessment of Taxes:						
Salaries and Wages	110,000.00	146,673.33	146,673.33		0.00	
Other Expenses	9,180.00	9,180.00	3,053.44	996.56	5,130.00	
Tax Appeals	350,000.00	350,000.00	350,000.00			
Collection of Taxes:						
Salaries and Wages	175,000.00	209,091.43	209,091.43			
Other Expenses	15,000.00	16,100.00	16,078.35		21.65	
Legal Services and Costs:						
Other Expenses	200,000.00	290,000.00	230,660.35	40,939.25	18,400.40	
Engineering Services and Costs:						
Salaries and Wages	178,000.00	302,058.26	302,058.26			
Other Expenses	35,000.00	35,000.00	5,164.82	145.26	29,689.92	
Computer Information Technology						
Salaries and Wages	170,000.00	164,890.50	164,890.50			
Other Expenses	135,000.00	165,000.00	136,914.67	10,576.11	17,509.22	
<u>LAND USE ADMINISTRATION</u>						
Planning Board:						
Salaries and Wages	3,500.00					
Other Expenses	6,000.00	6,000.00	5,382.10	275.88	342.02	
Board of Adjustment:						
Salaries and Wages	3,500.00					
Other Expenses	4,000.00	4,000.00	2,793.20	64.80	1,142.00	
Historic Preservation Commission:						
Salaries and Wages	3,000.00					
Other Expenses	6,000.00	6,000.00	5,022.75	122.00	855.25	
<u>INSURANCE</u>						
Unemployment	10,000.00					
General Liability	875,000.00	875,000.00	869,178.60		5,821.40	
Employee Group Health	2,410,025.00	2,075,024.47	2,042,685.68		32,338.79	
<u>MUNICIPAL COURT</u>						
Municipal Court:						
Salaries and Wages	124,000.00	121,863.20	121,863.20			
Public Defender:						
Salaries and Wages	29,000.00	27,214.31	27,214.31			

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-3
Sheet # 2

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

	Appropriations					
Appropriation	Budget	Modified Budget	Expended	Encumbered	Unencumbered	Canceled
<u>PUBLIC SAFETY</u>						
Police:						
Salaries and Wages	\$ 6,375,000.00	\$ 6,501,917.38	\$ 6,501,917.38			
Other Expenses	285,000.00	285,000.00	229,491.00	\$ 28,037.13	\$ 27,471.87	
Emergency Management Service:						
Other Expenses	5,000.00	5,000.00	3,891.85		1,108.15	
Fire:						
Salaries and Wages	3,950,000.00	3,979,749.24	3,979,749.24			
Other Expenses	90,000.00	90,000.00	71,841.73	17,849.56	308.71	
<u>PUBLIC WORKS FUNCTIONS</u>						
Other Public Works Functions:						
Salaries and Wages	1,740,000.00	1,770,999.24	1,770,999.24			
Other Expenses	630,000.00	630,000.00	411,765.95	197,954.85	20,279.20	
<u>HEALTH AND WELFARE</u>						
Board of Health:						
Salaries and Wages	152,000.00	150,182.74	150,182.74			
Other Expenses	20,400.00	20,400.00	17,946.15	748.75	1,705.10	
<u>RECREATION AND EDUCATION</u>						
Public Recreation Programs:						
Salaries and Wages	940,000.00	875,077.11	875,077.11			
Other Expenses	450,500.00	450,500.00	397,780.84	44,751.72	7,967.44	
Other Expenses (SOPAC)	289,500.00	289,500.00	289,500.00			
Celebration of Public Events:						
Other Expenses	20,000.00	15,000.00	11,457.03		3,542.97	
<u>UNIFORM CONSTRUCTION CODE</u>						
Construction Code Officials:						
Inspection of Buildings:						
Salaries and Wages	330,000.00	343,173.84	343,173.84		-	
Other Expenses	8,000.00	8,000.00	4,924.48	128.00	2,947.52	
<u>UNCLASSIFIED</u>						
Electricity	220,000.00	172,000.00	160,007.56	2,139.42	9,853.02	
Gasoline, Diesel Fuel and Lubricants	135,000.00	135,000.00	116,004.28	16,166.50	2,829.22	
Telephone and Telegraph	65,000.00	87,000.00	77,219.28		9,780.72	
Street Lighting	700,000.00	570,000.00	470,154.88	2,778.61	97,066.51	
Rent	90,000.00	2,000.00	2,000.00			
<u>CONTINGENT</u>	5,000.00	5,000.00			5,000.00	
Total Operations Within "CAPS"	22,648,805.00	22,551,855.74	21,754,215.13	368,667.07	428,973.54	-
Detail:						
Salaries and Wages	14,781,200.00	15,056,151.27	15,056,151.27	-	-	-
Other Expenses	7,867,605.00	7,495,704.47	6,698,063.86	368,667.07	428,973.54	-

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-3
Sheet # 3

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

Appropriation	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>STATUTORY EXPENDITURES</u>						
Contributions to:						
Public Employees' Retirement System	\$ 584,762.80	\$ 632,176.00	\$ 632,176.00			
Social Security System (OASI)	600,369.30	626,930.12	626,930.12			
Disability Insurance	7,500.00	7,500.00	7,500.00			
Defined Contribution Retirement Program	10,000.00	-				
Police and Firemen's Retirement System	2,296,814.36	2,296,814.36	2,296,814.36			
	3,499,446.46	3,563,420.48	3,563,420.48	-	-	-
Total Appropriations Within "CAPS"	26,148,251.46	26,115,276.22	25,317,635.61	\$ 368,667.07	\$ 428,973.54	-
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
<u>OTHER OPERATIONS</u>						
Municipal Library	1,005,000.00	1,037,975.24	1,037,975.24			
Municipal Library - Health Benefits	8,296.00	8,296.00	8,296.00			
Length of Service Awards Program	20,000.00	20,000.00			20,000.00	
Joint Trunk Sewer Maintenance	1,135,762.00	1,135,762.00	1,135,762.00			
	2,169,058.00	2,202,033.24	2,182,033.24	-	20,000.00	-
<u>Interlocal Municipal Service Agreements</u>						
Municipal Court - Township of Maplewood	413,100.00	413,100.00	381,911.77		31,188.23	
Code Enforcement - Township of Maplewood	108,120.00	108,120.00	80,876.61		27,243.39	
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
Alcohol Education and Rehabilitation	514.72	514.72	514.72			
Municipal Alliance Grant	26,483.00	26,483.00	26,483.00			
Municipal Alliance Grant - Local Match	6,620.00	6,620.00	6,620.00			
Council of the Arts	14,150.00	14,150.00	14,150.00			
Recycling Tonnage Grants	58,363.31	58,363.31	58,363.31			
Cops in Shops	5,400.00	5,400.00	5,400.00			
Clean Communities	28,455.04	28,455.04	28,455.04			
Grotta Fund Planning Grant	75,000.00	75,000.00	75,000.00			
Sustainable Jersey Small Grants Program	20,000.00	20,000.00	20,000.00			
NJ American Water Grant	10,000.00	10,000.00	10,000.00			
New Jersey Transportation Trust Fund - Academy Street	240,000.00	240,000.00	240,000.00			
Pedestrian Safety Grant - Chapter 159		7,500.00	7,500.00			
Body Armor Replacement Fund - Chapter 159		4,115.53	4,115.53			
Total Public and Private Programs	484,986.07	496,601.60	496,601.60	-	-	-
Total Operations Excluded from "CAPS"	3,175,264.07	3,219,854.84	3,141,423.22	-	78,431.62	-
Detail:						
Salaries and Wages						
Other Expenses	3,175,264.07	3,219,854.84	3,141,423.22	-	78,431.62	-
<u>CAPITAL IMPROVEMENTS</u>						
Capital Improvement Fund	275,000.00	275,000.00	275,000.00			
	275,000.00	275,000.00	275,000.00	-	-	-

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-3
Sheet # 4

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

Appropriation	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
<u>DEBT SERVICE</u>						
Payment of Bond	\$ 3,115,000.00	\$ 3,115,000.00	\$ 3,115,000.00			
Payment of Bond Anticipation Notes and Capital Notes	221,666.00	221,666.00	221,666.00			
Interest on Bonds	987,520.00	987,520.00	987,519.94			\$ 0.06
Interest on Notes	93,100.00	93,100.00	93,025.76			74.24
Green Trust Loan - Principal and Interest	8,540.00	8,540.00	8,534.64			5.36
NJEIT - Principal and Interest	39,300.00	39,300.00	37,279.30			2,020.70
	<u>4,465,126.00</u>	<u>4,465,126.00</u>	<u>4,463,025.64</u>	<u>-</u>	<u>-</u>	<u>2,100.36</u>
<u>Deferred Charges:</u>						
Emergency Authorization	<u>567,739.96</u>	<u>567,739.96</u>	<u>567,739.96</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>567,739.96</u>	<u>567,739.96</u>	<u>567,739.96</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Appropriations Excluded from "CAPS"	<u>8,483,130.03</u>	<u>8,527,720.80</u>	<u>8,447,188.82</u>	<u>-</u>	<u>78,431.62</u>	<u>2,100.36</u>
Sub-Total Appropriations	34,631,381.49	34,642,997.02	33,764,824.43	\$ 368,667.07	507,405.16	2,100.36
Reserve for Uncollected Taxes	<u>1,275,000.00</u>	<u>1,275,000.00</u>	<u>1,275,000.00</u>			
Total General Appropriations	<u>\$ 35,906,381.49</u>	<u>\$ 35,917,997.02</u>	<u>\$ 35,039,824.43</u>	<u>\$ 368,667.07</u>	<u>\$ 507,405.16</u>	<u>\$ 2,100.36</u>
2017 Appropriations		\$ 35,906,381.49				
Special Items of Revenue		11,615.53				
Reserve for Uncollected Taxes		(1,275,000.00)	\$ 1,275,000.00			
Emergency Appropriation			567,739.96			
Cash Disbursements			32,075,482.87			
Grant Match			6,620.00			
Capital Improvement Fund			275,000.00			
Reserve for Tax Appeals			350,000.00			
Reserve for Federal/State Grants			489,981.60			
Canceled		(2,100.36)				
		<u>\$ 34,640,896.66</u>	<u>\$ 35,039,824.43</u>			

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
TRUST FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2017 AND 2016

B

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<u>Animal Control Fund</u>		
Cash	\$ 142.75	\$ 7,105.15
<u>General Trust Fund</u>		
Cash	\$ 2,434,522.51	\$ 2,951,102.80
Interfunds Receivable	1,862.24	1,862.24
	<u>\$ 2,434,522.51</u>	<u>\$ 2,952,965.04</u>
<u>Payroll Trust Fund</u>		
Cash	\$ 190,804.44	\$ 219,008.85
<u>Length of Service Award Program</u>		
Funds held in trust - unaudited	\$ 351,444.95	\$ 291,263.45
 <u>LIABILITIES AND RESERVES</u>		
<u>Animal Control Fund</u>		
Reserve for Expenditures	\$ 142.75	\$ 7,105.15
	<u>\$ 142.75</u>	<u>\$ 7,105.15</u>
<u>General Trust Fund</u>		
Interfunds Payable	\$ 2,433.09	
Reserves for:		
Special Deposits	2,324,346.00	\$ 2,357,779.10
Open Space	107,743.42	595,185.94
	<u>\$ 2,434,522.51</u>	<u>\$ 2,952,965.04</u>
<u>Payroll Trust Fund</u>		
Payroll Deductions Payable	\$ 190,804.44	\$ 219,008.85
	<u>\$ 190,804.44</u>	<u>\$ 219,008.85</u>
<u>Length of Service Award Program</u>		
Reserve for funds held in trust - unaudited	\$ 351,444.95	\$ 291,263.45

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
GENERAL CAPITAL FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2017 AND 2016

C

<u>ASSETS AND DEFERRED CHARGES</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 9,203,666.43	\$ 2,586,342.92
Interfunds Receivable		250,000.00
Due from Seton Hall University	400,000.00	450,000.00
Deferred Charges to Future Taxation:		
Funded	35,279,493.90	38,433,676.94
Unfunded	20,223,452.00	10,246,868.00
	<u>\$ 65,106,612.33</u>	<u>\$ 51,966,887.86</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Serial Bonds	\$ 34,735,000.00	\$ 37,850,000.00
Environmental Infrastructure Loan	474,517.22	506,670.75
Green Acres Trust Loan Payable	69,976.68	77,006.19
Improvement Authorizations:		
Funded	93,135.39	1,167,014.00
Unfunded	9,779,230.19	2,092,876.07
Bond Anticipation Notes Payable	19,456,952.00	9,480,368.00
Capital Improvement Fund	25.53	35,025.53
Reserve for Preliminary Engineering Expenses	30.00	30.00
Reserve for Seton Hall University	400,000.00	450,000.00
Fund Balance	97,745.32	307,897.32
	<u>\$ 65,106,612.33</u>	<u>\$ 51,966,887.86</u>
 Bonds and Notes Authorized but not Issued	<u>\$ 766,500.00</u>	<u>\$ 766,500.00</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
GENERAL CAPITAL FUND

FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

C-1

Balance, December 31, 2016	\$ 307,897.32
Increased by:	
Premium on Sale of Notes	<u>89,848.00</u>
	397,745.32
Decreased by:	
Due to Current Fund as Anticipated Revenue	<u>300,000.00</u>
Balance, December 31, 2017	<u><u>\$ 97,745.32</u></u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2017 AND 2016

D

<u>ASSETS AND DEFERRED CHARGES</u>	<u>2017</u>	<u>2016</u>
<u>Operating Fund</u>		
Cash	\$ -	\$ 52,418.98
Receivables with Full Reserves: Consumer Accounts Receivable	301,894.22	-
Deferred Charges: Over Expenditure of Appropriation	19,277.00	-
Deficit in Operations	441,851.67	-
	461,128.67	-
	763,022.89	52,418.98
<u>Capital Fund</u>		
Cash	413,235.90	107,828.23
Fixed Capital	8,460,893.09	8,460,893.09
Fixed Capital - Authorized and Uncompleted	5,800,000.00	5,800,000.00
	14,674,128.99	14,368,721.32
	\$ 15,437,151.88	\$ 14,421,140.30
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
<u>Operating Fund</u>		
Liabilities:		
Appropriation Reserves - Encumbered	\$ 226,285.39	\$ 365.00
Appropriation Reserves	-	19,969.70
Cash Overdraft	183,807.00	-
Accrued Interest Payable	23,860.33	4,908.33
Reserves for Accounts Receivable	301,894.22	-
Fund Balance	27,175.95	27,175.95
	763,022.89	52,418.98
<u>Capital Fund</u>		
Improvement Authorizations:		
Unfunded	3,902,496.33	5,647,088.66
Serial Bond Payable	795,000.00	860,000.00
Reserve for Amortization	7,665,893.09	7,600,893.09
Due to General Capital Fund	-	250,000.00
Bond Anticipation Notes Payable	2,300,000.00	-
Fund Balance	10,739.57	10,739.57
	14,674,128.99	14,368,721.32
Total Liabilities, Reserves and Fund Balance	\$ 15,437,151.88	\$ 14,421,140.30
Bonds and Notes Authorized but Not Issued	\$ 3,500,000.00	\$ 5,800,000.00

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCE - OPERATING FUND
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2017 AND 2016

D-1

	<u>2017</u>	<u>2016</u>
<u>Revenue and Other Income</u>		
Miscellaneous Revenues	\$ 8,824.85	\$ 548.97
Water Rents	2,740,553.78	568,667.82
Appropriation Reserves Lapsed	19,969.70	26,248.58
Total Income	<u>2,769,348.33</u>	<u>595,465.37</u>
<u>Expenditures</u>		
Budget Appropriations:		
Operations	3,117,075.00	426,868.45
Debt Service	113,402.00	96,075.00
Statutory Expenditures	<u>3,230,477.00</u>	<u>47,056.55</u>
	<u>3,230,477.00</u>	<u>570,000.00</u>
Deficit in Revenue	461,128.67	
Excess in Revenue		<u>25,465.37</u>
Adjustment to Income before Fund Balance:		
Expenditures Included Above Which Are By		
Statute Deferred Charges to Budget of		
Succeeding Year	<u>19,277.00</u>	
Deficit in Operations to be Raised in Budget of Succeeding Year	<u>441,851.67</u>	
<u>Fund Balance</u>		
Balance, Beginning of Year	<u>27,175.95</u>	<u>31,710.58</u>
Decreased by:		
Amount Utilized as Current Fund Revenue	<u>-</u>	<u>30,000.00</u>
Balance, End of Year	<u>\$ 27,175.95</u>	<u>\$ 27,175.95</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY CAPITAL FUND

STATEMENT OF FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

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Balance, December 31, 2017 and 2016

\$ 10,739.57

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

STATEMENT OF REVENUE - OPERATING FUND
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

D-3

<u>Source</u>	<u>Budget Revenue</u>	<u>Realized</u>	<u>(Deficit) Excess</u>
Water Rents	\$ 4,336,200.00	\$ 2,740,553.78	\$ (1,595,646.22)
Miscellaneous	-	8,824.85	8,824.85
	<u>\$ 4,336,200.00</u>	<u>\$ 2,749,378.63</u>	<u>\$ (1,586,821.37)</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2017

D-4

<u>Appropriation</u>	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended Balance Canceled</u>	<u>Overexpenditure</u>
	<u>Budget</u>	<u>Modified Budget</u>	<u>Paid or Charged</u>	<u>Encumbered</u>		
<u>Operating</u>						
Salaries and Wages	\$ 321,228.44	\$ 321,228.44			\$ 321,228.44	
Other Expenses	3,848,859.38	3,848,859.38	\$ 2,890,789.61	\$ 226,285.39	731,784.38	
<u>Debt Service</u>						
Payment of Bond Principal	65,000.00	65,000.00	65,000.00			
Interest on Bonds	29,125.00	29,125.00	48,402.00			\$ 19,277.00
<u>Statutory Expenditures</u>						
Social Security	24,573.98	24,573.98			24,573.98	
Public Employees Retirement System	47,413.20	47,413.20			47,413.20	
	<u>\$ 4,336,200.00</u>	<u>\$ 4,336,200.00</u>	<u>\$ 3,004,191.61</u>	<u>\$ 226,285.39</u>	<u>\$ 1,125,000.00</u>	<u>\$ 19,277.00</u>
 Cash Disbursements			\$ 2,955,789.61			
Accrued Interest on Bonds			<u>48,402.00</u>			
			<u>\$ 3,004,191.61</u>			

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APPENDIX C

Form of Approving Legal Opinion of Bond Counsel

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_____, 2018

Board of Trustees of the
Township of South Orange Village, in the
County of Essex, New Jersey

Dear Board of Trustees:

We have acted as bond counsel to the Township of South Orange Village, in the County of Essex, New Jersey (the "Village") in connection with the issuance by the Village of \$10,635,000 General Obligation Bonds, Series 2018 consisting of \$8,500,000 General Improvement Bonds and \$2,135,000 Water Utility Bonds (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Village adopted March 12, 2018 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are a valid and legally binding obligation of the Village, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Bonds are issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable real property within the Village without limitation as to rate or amount.

On the date hereof, the Village has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Village continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Village in the Certificate, it is our opinion that, under existing law, interest on the Bonds are excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds are not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax ("AMT"); however, during tax years beginning before January 1, 2018, interest on the Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,

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