

OFFICIAL STATEMENT DATED JUNE 24, 2020

NEW ISSUE

RATINGS: S&P: "AA-" (Bonds)
"SP-1+" (Notes)
(See "RATINGS" 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 Obligations (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 Obligations is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Obligations 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**

\$13,350,000
GENERAL IMPROVEMENT BONDS
(Book-Entry-Only) (Callable)

Dated: Date of Delivery
Due: May 1, as shown on the inside front cover

\$10,307,000
BOND ANTICIPATION NOTES
consisting of:
\$6,807,000 General Improvement Bond Anticipation Note
and
\$3,500,000 Water Utility Bond Anticipation Note
(Book-Entry-Only) (Non-Callable)

Dated: Date of Delivery
Due: July 7, 2021

The \$13,350,000 General Improvement Bonds (the "Bonds") of the Township of South Orange Village, in the County of Essex, New Jersey (the "Village") will be issued in the form of one certificate for the aggregate principal amount of the Bonds 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. See "THE OBLIGATIONS – Book-Entry-Only System" herein.

Interest on the Bonds will be payable semiannually on May 1 and November 1 in each year until maturity or earlier redemption, commencing on May 1, 2021. Principal of and interest due on the Bonds will be paid to DTC 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 15 and October 15 (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 consisting of twelve 30-day calendar months.

The Bonds are subject to redemption prior to their stated maturities. See "THE OBLIGATIONS – Redemption" herein.

The Bonds are valid and legally binding 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.

The \$10,307,000 Bond Anticipation Notes, consisting of the \$6,807,000 General Improvement Bond Anticipation Note (the "General Improvement Note") and the \$3,500,000 Water Utility Bond Anticipation Note (the "Water Utility Note" and, together with the General Improvement Note, the "Notes" and, together with the Bonds, the "Obligations"), will be issued in the form of one certificate and when issued will be registered in the name of DTC, which will act as securities depository. Interest on the Notes will be credited to the participants of DTC as listed on the records of DTC as of one business day prior to the maturity date set forth above. See "THE OBLIGATIONS – Book-Entry-Only System" herein.

The Notes are not subject to redemption prior to their stated maturity. See "THE OBLIGATIONS – Redemption" herein.

The Notes are a valid and legally binding obligation of the Village, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Notes 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.

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 Obligations will be offered when, as and if issued and delivered to the Underwriters (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. Certain legal matters will be passed upon for the Village by its Village Attorney, Steven C. Rother, Esq., of Post Polak P.A., Roseland, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Village in connection with the issuance of the Obligations. It is expected that the Obligations will be available for delivery through DTC in New York, New York on or about July 8, 2020.

Jefferies
(as to the Bonds)

PIPER | SANDLER
(as to the Notes)

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

\$13,350,000 GENERAL IMPROVEMENT BONDS

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

<u>Year (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2021	\$ 705,000	1.00%	0.50%	839134FW8
2022	1,080,000	3.00	0.37	839134FX6
2023	1,080,000	3.00	0.48	839134FY4
2024	1,165,000	3.00	0.63	839134FZ1
2025	1,210,000	3.00	0.74	839134GA5
2026	1,255,000	3.00	0.91	839134GB3
2027	1,310,000	3.00	1.02	839134GC1
2028	1,350,000	3.00	1.14*	839134GD9
2029	1,380,000	2.00	1.40*	839134GE7
2030	1,405,000	2.00	1.50*	839134GF4
2031	1,410,000	2.00	1.60*	839134GG2

\$10,307,000 BOND ANTICIPATION NOTES

consisting of:

**\$6,807,000 General Improvement Bond Anticipation Note
and**

\$3,500,000 Water Utility Bond Anticipation Note

MATURITY, PRINCIPAL AMOUNT, INTEREST RATE, YIELD AND CUSIP NUMBER

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
July 7, 2021	\$10,307,000	2.00%	0.30%	839134GH0

* Priced at the stated yield to the first optional redemption date of May 1, 2027 at a redemption price of 100%.

** Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bond and Note holders only at the time of issuance of the Obligations 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 Obligations as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Obligations.

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

VILLAGE TRUSTEES

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Summer Jones
Stephen Schnall
Robert Zuckerman

VILLAGE ADMINISTRATOR

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Roseland, New Jersey

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Cranford, 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 Obligations 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 Underwriters 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. This Official Statement is submitted in connection with the sale of the Obligations referred to herein and may not be used, in whole or in part, for any other purpose.

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 Obligations described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Village.

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 Obligations 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 or the Underwriters.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE OBLIGATIONS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

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.

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OFFICIAL STATEMENT
Relating to the
TOWNSHIP OF SOUTH ORANGE VILLAGE,
IN THE COUNTY OF ESSEX, NEW JERSEY
\$13,350,000 GENERAL IMPROVEMENT BONDS

and

\$10,307,000 BOND ANTICIPATION NOTES
consisting of:
\$6,807,000 General Improvement Bond Anticipation Note
and
\$3,500,000 Water Utility Bond Anticipation Note

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Township of South Orange Village (the “Village”), in the County of Essex (the “County”), State of New Jersey (the “State”) in connection with the sale and the issuance of \$13,350,000 General Improvement Bonds (the “Bonds”) and \$10,307,000 Bond Anticipation Notes, consisting of the \$6,807,000 General Improvement Bond Anticipation Note (the “General Improvement Note”) and the \$3,500,000 Water Utility Bond Anticipation Note (the “Water Utility Note” and, together with the General Improvement Note, the “Notes” and, together with the Bonds, the “Obligations”). This Official Statement has been executed by and on behalf of the Village by its Chief Financial Officer and may be distributed in connection with the sale of the Obligations described herein.

This Official Statement contains specific information relating to the Obligations including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety. All financial and other information presented herein has been provided by the Village from its records, except for information expressly attributed to other sources. This Official Statement is “deemed final,” as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

THE OBLIGATIONS

General Description

The Bonds

The Bonds will be dated their date of delivery, will bear interest from their dated date and will mature on May 1 in the years and in the principal amounts set forth on the inside front cover page hereof. Interest on the Bonds will be payable semiannually on May 1 and November 1 in each year until maturity or earlier redemption, commencing on May 1, 2021, at the rates set forth on the inside front cover page hereof. Principal of and interest due 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 15 and October 15 (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 the Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry-only form in the principal amount of \$5,000 or any integral multiple in excess thereof 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.

The Notes

The Notes are dated, will mature on the date and in the amount and will bear interest payable at the interest rate as set forth on the inside front cover page hereof. Interest shall be computed on the basis of a 30-day month/360-day year. The Notes will be issued in the form of one certificate for the aggregate principal amount of the Notes and when issued may be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository. The Notes are issuable as a fully registered book-entry note. The Notes may be purchased in book-entry-only form in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof through book-entries made on the books and records of DTC and its participants. Interest on the Notes will be credited to the participants of DTC as listed on the records of DTC as of one business day prior to maturity.

Redemption

The Bonds

The Bonds maturing prior to May 1, 2028 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after May 1, 2028 are redeemable at the option of the Village in whole or in part on any date on or after May 1, 2027 at 100% of the principal amount outstanding (the “Redemption Price”) plus interest accrued to the date of redemption upon notice as required herein.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Village or a duly appointed bond registrar. Any failure of the 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 prior to maturity, the Bonds to be redeemed shall be selected by the Village. The Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Village shall send redemption notices only to Cede & Co.

If notice of redemption has been given as provided 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 unpaid accrued interest to the date fixed for redemption. Interest shall cease to accrue on

the Bonds after the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

The Notes

The Notes are not subject to redemption prior to their stated maturity.

BOOK-ENTRY-ONLY SYSTEM*

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Obligations, payment of principal and interest and other payments on the Obligations to Direct and Indirect Participants (each as defined below) or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Obligations and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the Village. DTC will act as securities depository for the Obligations. The Obligations 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 Bond certificate will be issued for each year of maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC. One fully registered Note certificate will be issued for the Note in the aggregate principal amount of the Note 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"). DTC has an S&P Global 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 and www.dtc.org.

Purchases of the Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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

* Source: The Depository Trust Company.

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 Obligations 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 Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Obligations 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 as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, if any, and principal and interest payments on the Obligations 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 the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and shall be the responsibility of such Participant and not of DTC or its nominee, the 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 any, and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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 takes no responsibility for the accuracy thereof.

THE INFORMATION CONTAINED IN THIS SUBSECTION "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN PROVIDED BY DTC. THE VILLAGE MAKES NO REPRESENTATIONS AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

THE VILLAGE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BOND OR NOTE HOLDERS; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST DUE ON THE OBLIGATIONS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY CEDE & CO., AS NOMINEE OF DTC AND THE REGISTERED OWNER OF THE OBLIGATIONS. THE RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

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

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 Obligations 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.

AUTHORIZATION AND PURPOSE OF THE OBLIGATIONS

The Bonds

The Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the State statutes, as amended) (the "Local Bond Law"), the bond ordinances adopted by the Village referred to in the chart below and by a resolution duly adopted by the Village on June 8, 2020 (the "Resolution").

Proceeds from the sale and issuance of the Bonds, together with budgeted pay downs in the amount of \$442,000, will be used to: (i) currently refund \$14,662,000 of the Village's \$21,107,900 Bond Anticipation Note, dated and issued on July 9, 2019 and maturing on July 9, 2020 (the "Prior Notes"); and (ii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Bonds.

Bond Ordinance Number	Description of Improvement and Date of Adoption of Bond Ordinance	Amount Funded from Bond Proceeds
2017-06	Various capital improvements, finally adopted March 13, 2017.	\$9,281,250
2018-17	Acquisition of a fire truck and related equipment, finally adopted August 13, 2018.	522,500
2018-18	Undertaking of a master plan, finally adopted August 13, 2018.	202,500
2018-20	Preliminary planning expenses, finally adopted August 13, 2018.	213,750
2019-02	Various capital improvements, finally adopted February 11, 2019.	<u>4,000,000</u>
Total:		\$14,220,000*

The Notes

The Notes have been authorized by and are being issued pursuant to the Local Bond Law and the bond ordinances adopted by the Village referred to in the chart below. Proceeds from the sale and issuance of the Notes, together with budgeted pay downs in the amount of \$138,900, will be used to: (i) currently refund the remaining \$6,445,900 of the Prior Notes; (ii) provide \$4,000,000 in new money to temporarily finance various capital improvements in and by the Village; and (iii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Notes.

General Improvement Note				
Bond Ordinance Number	Description of Improvement and Date of Adoption of Bond Ordinance	Refunding Amount	New Money Amount	Aggregate Amount of Notes to be Issued
2017-22	Various capital improvements, finally adopted August 14, 2017.	\$21,100	\$0	\$21,100
2018-06	Various capital improvements, finally adopted March 12, 2018.	2,785,900	0	2,785,900
2019-02	Various capital improvements, finally adopted February 11, 2019.	<u>0</u>	<u>4,000,000</u>	<u>4,000,000</u>
Total:		\$2,807,000	\$4,000,000	\$6,807,000

* Includes \$870,000 of bond proceeds constituting original issue premium.

Water Utility Note				
Bond Ordinance Number	Description of Improvement and Date of Adoption of Bond Ordinance	Refunding Amount	New Money Amount	Aggregate Amount of Notes to be Issued
2018-26	Various water utility improvements, finally adopted August 27, 2018.	<u>\$3,500,000</u>	<u>\$0</u>	<u>\$3,500,000</u>
	Total:	\$3,500,000	\$0	\$3,500,000

SECURITY AND SOURCE OF PAYMENT

The Bonds are valid and legally binding obligations of the Village, and the Village has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Village is required by law to levy *ad valorem* taxes upon all the real property taxable within the Village for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

The Notes are valid and legally binding obligations of the Village, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Notes 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.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, had been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

In the State, Governor Phil Murphy has issued multiple Executive Orders since March 16, 2020 including but not limited to aggressive social distancing measures, restrictions on local elections, restrictions on foreclosure and evictions, suspension of all elective surgeries, closing of schools and child care centers, the commandeering of property such as medical supplies, the cessation of all non-essential construction projects, extending insurance premium grace periods, the temporary reprieve to certain at-risk inmates and the extension of the permitted statutory grace period from May 11, 2020 to June 1, 2020 for quarterly property taxes due May 1, 2020. The Village expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19. The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the Village. To secure the payment of the principal of and interest on the Obligations, the Village has pledged its full faith, credit and all available taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable real property within the Village.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Village cannot predict how the outbreak will substantially impact the financial condition or operations of the Village, or if there will be any impact on the assessed values of property within the Village or deferral of tax payments to municipalities. The Village cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or a substantial increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on the State's websites, including <https://covid19.nj.gov/> or nj.gov/health. *The Village has not incorporated by reference the information on such websites and the Village does not assume any responsibility for the accuracy of the information on such websites.*

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 3.5% 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 State 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 (the "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 or her 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, payment of compensated absences and 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, except that transfers may be made between debt service principal and interest.

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, including the Obligations.

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 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, the 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 the State 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 and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. These interest rates and penalties are the highest permitted under State statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State statutes.

Tax Appeals

The State 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's 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, 2018 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 for the fiscal year ended December 31, 2019 and certain audited financial data of the Village for the fiscal year ended December 31, 2018. 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 audited financial data 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 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 Obligations, or the levy or the collection of any taxes to pay the principal of or the interest on the Obligations, or in any manner questioning the authority or the proceedings for the issuance of the Obligations 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 Underwriter (as hereinafter defined) at the closing.

TAX MATTERS

Exclusion of Interest on the Obligations 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 Obligations in order to assure that interest on the Obligations 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 Obligations to lose the exclusion from gross income for federal income tax purposes, retroactive to the

date of issuance of the Obligations. The Village will make certain representations in its Arbitrage and Tax Certificates, each of which will be executed on the date of issuance of the Obligations, as to various tax requirements. The Village has covenanted to comply with the provisions of the Code applicable to the Obligations and has covenanted not to take any action or fail to take any action that would cause interest on the Obligations 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 Certificates 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 Obligations from gross income for federal income tax purposes and with respect to the treatment of interest on the Obligations 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 Obligations 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 Obligations is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

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 Obligations 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 (i) the effect of future changes in 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 Obligations ends with the issuance of the Obligations, and, unless separately engaged, Bond Counsel is not obligated to defend the Village or the owners of the Obligations 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 Obligations, under current IRS procedures, the IRS will treat the Village as the taxpayer and the beneficial owners of the Obligations 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 Obligations 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 Obligations.

Payments of interest on tax-exempt obligations, including the Obligations, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of the Obligations 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 Obligations may be sold at an initial offering price in excess of the amount payable at the maturity date (the “Premium Bonds” or “Premium Notes”). The excess, if any, of the tax basis of the Premium Bonds or Premium Notes to a purchaser (other than a purchaser who holds such Premium Bonds or Premium Notes 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 or Premium Notes 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 or Premium Notes. Accordingly, an owner of a Premium Bond or Premium Note may have taxable gain from the disposition of the Premium Bond or Premium Note, even though the Premium Bond or Premium Note is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Premium Bond or Premium Note. Bond premium amortizes over the term of the Premium Bonds or Premium Notes under the “constant yield method” described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds or Premium Notes 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 or Premium Notes.

Bank-Qualification

The Obligations 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 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 that are eligible to be designated and that are designated by the issuer as qualified under Section 265 of the Code, 80% of such interest may be deducted as a business expense by such institutions.

Additional Federal Income Tax Consequences of Holding the Obligations

Prospective purchasers of the Obligations should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Obligations, 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 Obligations from gross income pursuant to Section 103 of the Code and interest on the Obligations not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Obligations should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Obligations.

Changes in Federal Tax Law Regarding the Obligations

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Obligations. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Obligations will not have an adverse effect on the tax status of interest on the Obligations or the market value or marketability of the Obligations. 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 Obligations 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 Obligations 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 OBLIGATIONS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE OBLIGATIONS, 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 OBLIGATIONS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

SECONDARY MARKET DISCLOSURE

The Bonds

The Village, pursuant to the Resolution, 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 to September 30 of each fiscal year, beginning September 30, 2021 for the fiscal year ending December 31, 2020, electronically to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the 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 and overlapping indebtedness including a schedule of outstanding debt issued by the Village, (ii) property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by State law.

(b) In a timely manner not in excess of ten business days after the occurrence of the event, to EMMA, notice of any of the following events with respect to the Bonds (herein “Disclosure 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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation or acquisition involving the 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;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the obligated person, if any such event reflects financial difficulties.

The term “Financial Obligation” as used in subparagraphs (b)(15) and (b)(16) above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); provided, however, that the term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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 Resolution shall be sent in a timely manner to EMMA.

The Notes

The Village has covenanted for the benefit of the Noteholders and the beneficial owners of the Notes to provide certain secondary market disclosure information pursuant to the Rule. Specifically, for so long as the Notes remains outstanding (unless the Notes have been wholly defeased), the Village will provide in a timely manner not in excess of ten business days after the occurrence of the event, to EMMA, notice of any Disclosure Events with respect to the Notes.

The Obligations

If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Resolution, 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 the 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 specified in the Resolution, 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.

There can be no assurance that there will be a secondary market for the sale or purchase of the Obligations. Such factors as prevailing market conditions, financial condition or market position of firms who may make the secondary market and the financial condition of the Village may affect the future liquidity of the Obligations.

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 such 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.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Obligations are subject to the approval of Bond Counsel to the Village, whose approving legal opinions will be delivered with the Obligations substantially in the forms as set forth in Appendix "C". Certain legal matters will be passed on for the Village by the Village Attorney.

UNDERWRITING

The Bonds

The Bonds have been purchased from the Village at a public sale by Jefferies LLC, New York, New York (the "Bond Underwriter") at a price of \$14,224,469.55 (consisting of the par amount of the Bonds plus a bid premium of \$874,469.55). The Bond Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement.

The Bond Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Bond Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Bond Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investments trusts) at yields higher than the public offering yields set forth on the inside front cover of this Official Statement, and such yields may be changed, from time to time, by the Bond Underwriter without prior notice.

The Notes

The Notes have been purchased from the Village at a public sale by Piper Sandler & Co., Minneapolis, Minnesota (the "Note Underwriter" and, together with the Bond Underwriter, the

“Underwriters”) at a price of \$10,473,354.98 (consisting of the par amount of the Notes plus a bid premium of \$166,354.98). The Note Underwriter has purchased the Notes in accordance with the Notice of Sale. The Notes are being offered for sale at the yield set forth on the inside front cover page of this Official Statement.

The Note Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) at a yield higher than the public offering yield stated on the inside front cover of this Official Statement.

RATINGS

S&P Global Ratings, acting through Standard & Poor’s Financial Services, LLC (the “Rating Agency”) has assigned a rating of “AA-” to the Bonds and a short-term rating of “SP-1+” to the Notes based upon the creditworthiness of the Village.

The ratings reflect only the view of the Rating Agency, and an explanation of the significance of such ratings may only be obtained from the Rating Agency. The Village provided the Rating Agency with certain information and materials concerning the Obligations and the Village. There can be no assurance that the ratings will be maintained for any given period of time or that the ratings 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 ratings may have an adverse effect on the marketability or market price of the Obligations.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as municipal advisor to the Village with respect to the issuance of the Obligations (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 this 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.

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

The Auditor takes responsibility for the audited financial statements presented in Appendix “B” to the extent specified in their Independent Auditor’s Report and has not participated in the preparation of this Official Statement.

The Municipal Advisor has participated in the preparation and review of this Official Statement; however, it has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

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.

All other information has been obtained from sources which 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.

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 to the Municipal Advisor, Phoenix Advisors, LLC at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Village, the Underwriters and the holders of any of the Obligations. 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 the Obligations made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs (financial or otherwise) 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 ESSEX, NEW JERSEY**

By: /s/ Christopher Battaglia
Christopher Battaglia
Chief Financial Officer

Dated: June 24, 2020

APPENDIX A

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT 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 and 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 6:00 am to 6:00 pm Monday through Friday, while the volunteer squad covers 6:00 pm to 6:00 am 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.

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 University (Caldwell)
- Kean University (Elizabeth)
- Fairleigh Dickenson University (Madison)

Pension and Retirement Systems

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

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

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

The Defined Contribution Retirement Program ("DCRP") is a multiple-employer defined contribution pension fund which was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L 2007, and was expanded under the provisions of Chapter 89,

P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the 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>				
2019	8,037	7,799	238	3.0%
2018	8,089	7,823	266	3.3%
2017	7,897	7,602	295	3.7%
2016	7,973	7,617	356	4.5%
2015	7,980	7,581	399	5.0%
<u>County</u>				
2019	368,748	352,334	16,414	4.5%
2018	365,106	346,431	18,675	5.1%
2017	367,815	347,042	20,773	5.6%
2016	368,262	346,140	22,122	6.0%
2015	371,332	345,649	25,683	6.9%
<u>State</u>				
2019	4,493,127	4,333,334	159,793	3.6%
2018	4,432,520	4,250,795	181,725	4.1%
2017	4,454,681	4,248,741	205,940	4.6%
2016	4,473,780	4,251,209	222,571	5.0%
2015	4,487,309	4,227,640	259,669	5.8%

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 2018)

	<u>Village</u>	<u>County</u>	<u>State</u>
Median Household Income	\$133,555	\$59,302	\$79,363
Median Family Income	175,424	77,675	98,047
Per Capita Income	60,272	37,141	40,895

Source: US Bureau of the Census, 2018 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>Village</u>		<u>County</u>		<u>State</u>	
<u>Year</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2019 Est.	16,691	3.04%	798,975	1.91%	8,882,190	1.03%
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

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>2019 Assessed Valuation</u>	<u>% of Total 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%
Concord Apartments*	6,925,100	0.24%
8 & 111 Realty Management, LLC	6,252,200	0.22%
Vose Ave Apts Urban Renewal LLC	5,874,600	0.21%
Orange Lawn Country Club*	5,829,300	0.21%
Vose Ave. Property	4,874,500	0.17%
Halsey Gardens 258 LLC	4,400,000	0.15%
South Mountain Holdings LLC*	<u>4,372,400</u>	<u>0.15%</u>
Total	<u>\$73,460,100</u>	<u>2.59%</u>

*Have outstanding tax appeals

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>
2019U	\$90,968,251	\$89,926,096	98.85%
2018	89,606,121	88,551,005	98.82%
2017	87,415,945	86,345,946	98.78%
2016	85,700,222	84,606,070	98.72%
2015	83,755,027	82,559,313	98.57%

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>
2019U	\$24,344	\$890,711	\$915,055	1.01%
2018	18,198	910,027	928,225	1.04%
2017	5,773	945,768	951,541	1.09%
2016	139,546	794,650	934,196	1.09%
2015	127,005	965,658	1,092,663	1.30%

U=Unaudited

Source: Annual Audit Reports of the Village

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2019U	\$417,254
2018	417,254
2017	417,254
2016	282,900
2015	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>
2019	\$0.858	\$1.824	\$0.516	\$3.198
2018	0.840	1.788	0.522	3.150
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

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>
2019	\$2,834,744,700	\$3,123,685,620	90.75%	\$4,762,521	\$3,128,448,141
2018	2,836,053,100	3,013,871,520	94.10	4,802,476	3,018,673,996
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

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>
2019	\$19,280,800	\$2,546,986,300	\$0	\$187,813,100	\$4,089,400	\$76,575,100	\$2,834,744,700
2018	20,009,700	2,545,929,800	0	194,149,100	4,089,400	71,875,100	2,836,053,100
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

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Fund Balance Utilized	\$250,000	\$998,000	\$1,575,000	\$2,114,000	\$1,577,000
Miscellaneous Revenues	10,869,877	10,949,456	11,650,209	10,836,943	9,712,494
Receipts from Delinquent Taxes	919,769	825,549	940,000	907,000	860,000
Amount to be Raised by Taxation	<u>22,747,660</u>	<u>23,133,377</u>	<u>23,589,838</u>	<u>24,061,226</u>	<u>24,724,201</u>
Total Revenue:	<u>\$34,787,306</u>	<u>\$35,906,381</u>	<u>\$37,755,047</u>	<u>\$37,919,169</u>	<u>\$36,873,695</u>
<u>Appropriations</u>					
General Appropriations	\$25,371,059	\$26,545,451	\$27,832,229	\$27,559,225	\$27,016,517
Operations (Excluded from CAPS)	2,876,306	2,935,264	3,330,077	3,105,354	2,878,088
Deferred Charges and Statutory Expenditures	350,000	170,540	0	0	0
Capital Improvement Fund	292,000	515,000	500,000	750,000	135,000
Municipal Debt Service	4,688,094	4,465,126	4,792,242	5,154,590	5,494,090
Reserve for Uncollected Taxes	<u>1,209,847</u>	<u>1,275,000</u>	<u>1,300,500</u>	<u>1,350,000</u>	<u>1,350,000</u>
Total Appropriations:	<u>\$34,787,306</u>	<u>\$35,906,381</u>	<u>\$37,755,047</u>	<u>\$37,919,169</u>	<u>\$36,873,695</u>

Source: Annual Adopted Budgets of the Village

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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>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u>	<u>Utilized in Budget</u>
	<u>12/31</u>	<u>of Succeeding Year</u>
2019U	\$2,188,145	\$1,577,000
2018	2,763,891	2,114,000
2017	1,602,323	1,575,000
2016	1,637,297	998,000
2015	350,621	250,000

U=Unaudited

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>Year</u>	<u>Fund Balance - Water Utility Operating Fund</u>	
	<u>Balance</u>	<u>Utilized in Budget</u>
	<u>12/31</u>	<u>of Succeeding Year</u>
2019U	\$1,062,850	\$234,410
2018	827,707	48,367
2017	27,176	0
2016	27,176	0
2015	31,711	0

U=Unaudited

Source: Annual Audit Reports of the Village

Village Indebtedness as of December 31, 2019

General Purpose Debt

Serial Bonds	\$36,700,000
Bond Anticipation Notes	17,607,900
Bonds and Notes Authorized but Not Issued	11,255,350
Other Bonds, Notes and Loans	<u>471,701</u>
Total:	\$66,034,951

Regional School District Debt

Serial Bonds	\$40,264,519
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>39,012,597</u>
Total:	\$79,277,116

Self-Liquidating Debt

Serial Bonds	\$2,720,000
Bond Anticipation Notes	7,880,000
Bonds and Notes Authorized but Not Issued	4,612,500
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$15,212,500

TOTAL GROSS DEBT

\$160,524,567

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	0
Regional School District Debt	79,277,116
Self-Liquidating Debt	<u>15,212,500</u>
Total:	\$94,489,616

TOTAL NET DEBT

\$66,034,951

Source: Annual Debt Statement of the Village

Overlapping Debt (as of December 31, 2019)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Village Percentage</u>	<u>Village Share</u>
Regional School District	\$95,970,000	41.96%	\$40,264,519
County	1,033,553,251	3.42%	<u>35,315,472</u>
Net Indirect Debt			\$75,579,991
Net Direct Debt			<u>66,034,951</u>
Total Net Direct and Indirect Debt			<u>\$141,614,942</u>

Debt Limit

Average Equalized Valuation Basis (2017, 2018, 2019)	\$3,021,972,045
Permitted Debt Limitation (3 1/2%)	105,769,022
Less: Net Debt	<u>66,034,951</u>
Remaining Borrowing Power	<u>\$39,734,071</u>
Percentage of Net Debt to Average Equalized Valuation	2.185%
Gross Debt Per Capita based on 2010 population of 16,198	\$9,910
Net Debt Per Capita based on 2010 population of 16,198	\$4,077

Source: Annual Debt Statement of the Village

² 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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**SELECTED UNAUDITED FINANCIAL INFORMATION FOR
THE YEAR ENDED DECEMBER 31, 2019**

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UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

<u>ASSETS AND DEFERRED CHARGES</u>	<u>2019</u>	<u>2018</u>
Cash	\$ 5,110,413.68	\$ 5,611,255.73
Change Funds	225.00	225.00
Due from State of New Jersey: Ch. 129, P.L. 1976	16,110.34	16,610.34
	<u>5,126,749.02</u>	<u>5,628,091.07</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Taxes Receivable	890,710.88	910,026.66
Tax Title Liens	24,344.35	18,198.41
Other Accounts Receivable	43,479.75	3,329.75
Property Acquired for Taxes at Assessed Valuation	417,253.87	417,253.87
Improvement District Tax Receivable	2,065.44	3.42
Revenue Accounts Receivable	249,357.27	114,386.87
	<u>1,627,211.56</u>	<u>1,463,198.98</u>
	<u>6,753,960.58</u>	<u>7,091,290.05</u>
Federal and State Grant Fund:		
Cash	329,788.86	536,180.38
Federal and State Grants Receivable	3,550,802.60	3,874,052.60
	<u>3,880,591.46</u>	<u>4,410,232.98</u>
	<u>\$ 10,634,552.04</u>	<u>\$ 11,501,523.03</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2019</u>	<u>2018</u>
Expenditure Reserves:		
Appropriation Reserves:		
Encumbered	\$ 497,046.54	\$ 368,584.20
Unencumbered	1,751,355.98	1,877,875.41
Tax Overpayments	48,199.69	62,139.01
Sewer Rent Overpayments	5,389.38	2,694.69
Special Improvement District Overpayments	59.66	
Accounts Payable	2,156.25	
Due to County for PILOT Payments	54,388.26	
School Taxes Payable	33,820.50	33,820.50
County Taxes Payable	26,565.73	21,272.72
Due to Open Space Trust Fund	514.86	
Various Reserves	148,599.02	140,195.91
Prepaid Taxes	370,507.73	357,617.18
	<u>2,938,603.60</u>	<u>2,864,199.62</u>
Reserve for Receivables and Other Assets	1,627,211.56	1,463,198.98
Fund Balance	<u>2,188,145.42</u>	<u>2,763,891.45</u>
	<u>6,753,960.58</u>	<u>7,091,290.05</u>
 Federal and State Grant Fund:		
Appropriated Reserves	3,832,551.66	4,285,089.58
Unappropriated Reserves	48,039.80	125,143.40
	<u>3,880,591.46</u>	<u>4,410,232.98</u>
	<u>\$ 10,634,552.04</u>	<u>\$ 11,501,523.03</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENTS OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

A-1

	<u>2019</u>	<u>2018</u>
<u>Revenue and Other Income</u>		
Fund Balance Utilized	\$ 2,114,000.00	\$ 1,575,000.00
Miscellaneous Revenue Anticipated	11,037,330.25	11,450,639.42
Receipts from Delinquent Taxes	873,058.86	926,411.92
Receipts from Current Taxes	89,926,096.04	88,551,005.46
Nonbudget Revenue	183,391.68	1,510,918.75
Other Credits to Income:		
Special Improvement District Receivable Liquidated		173.03
Appropriation Reserves Lapsed	838,146.42	916,025.38
Prior Year Interfunds Returned		402,433.09
	<u>104,972,023.25</u>	<u>105,332,607.05</u>
Total Revenue and Other Income		
<u>Expenditures</u>		
Budget and Emergency Appropriations	36,635,648.82	36,684,787.28
Prior Year Senior Citizen Deduction Disallowed	500.00	
Special Improvement District Receivable Established	2,062.02	
Other Debit	751.89	
Other Accounts Receivable Established	40,150.00	3,239.75
Local Open Space Tax	283,950.72	284,085.56
County Taxes	14,690,069.83	14,830,973.80
Regional District School Tax	51,780,636.00	50,792,952.00
	<u>103,433,769.28</u>	<u>102,596,038.39</u>
Total Expenditures		
Statutory Excess to Fund Balance	1,538,253.97	2,736,568.66
<u>Fund Balance</u>		
Balance, Beginning of Year	<u>2,763,891.45</u>	<u>1,602,322.79</u>
	4,302,145.42	4,338,891.45
Decreased by:		
Utilized as Anticipated Revenue	<u>2,114,000.00</u>	<u>1,575,000.00</u>
Balance, End of Year	<u>\$ 2,188,145.42</u>	<u>\$ 2,763,891.45</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-2

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

	Anticipated Budget	Realized	Excess or (Deficit)
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Fund Balance Appropriated	2,114,000.00	2,114,000.00	
<u>Miscellaneous Revenues</u>			
Alcoholic Beverage Licenses	31,000.00	30,300.00	(700.00)
Other Licenses	19,000.00	17,805.00	(1,195.00)
Fees and Permits	90,000.00	55,673.50	(34,326.50)
Municipal Court Fines and Costs	700,000.00	788,145.29	88,145.29
Interest and Cost on Taxes	243,000.00	247,361.43	4,361.43
Interest on Investments and Deposits	323,000.00	280,734.54	(42,265.46)
Recreation Receipts	944,000.00	838,527.61	(105,472.39)
Sewer User Fees	2,417,000.00	2,472,182.05	55,182.05
Cable TV Franchise Fee	214,711.16	214,711.16	-
Payment in Lieu of Taxes	2,310,000.00	2,343,687.60	33,687.60
Payment in Lieu of Taxes Due to County		(54,388.26)	
Cell Tower Rental Fee	88,000.00	96,321.99	8,321.99
Energy Receipts Tax	1,456,861.00	1,456,861.00	-
Uniform Construction Code Fees	795,600.00	1,006,256.40	210,656.40
Uniform Fire Safety Act	23,000.00	21,896.88	(1,103.12)
General Capital Fund Balance	104,421.87	104,421.87	-
Sewer Connection Fee			-
Shared Tax Services	60,000.00	60,000.00	
Seton Hall Debt Service Payment	66,500.00	64,875.00	(1,625.00)
Police Side Job Fees	71,000.00	48,325.00	(22,675.00)
Open Space - Payment of Debt Service	300,000.00	300,000.00	-
Water Utility Surplus	300,000.00	300,000.00	-
Joint Meeting Refund of Surplus	112,000.00	108,283.07	(3,716.93)
	<u>10,669,094.03</u>	<u>10,801,981.13</u>	<u>187,275.36</u>
 Federal and State Grants:			
Municipal Alliance Grant	26,500.00	26,500.00	-
Clean Communities	27,225.53	27,225.53	-
Alcohol Education, Rehabilitation and Enforcement Fund	1,391.42	1,391.42	
Recycling Tonnage Grants	16,205.72	16,205.72	-
Pedestrian Safety	7,510.00	7,510.00	
New Jersey Sustainable Grant	6,516.45	6,516.45	-
Grotta Fund Planning Grant	150,000.00	150,000.00	-
	<u>235,349.12</u>	<u>235,349.12</u>	<u>-</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-2

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Total Miscellaneous Revenue	<u>\$ 10,904,443.15</u>	<u>\$ 11,037,330.25</u>	<u>\$ 187,275.36</u>
Receipts from Delinquent Taxes	<u>907,000.00</u>	<u>873,058.86</u>	<u>(33,941.14)</u>
Amount to be Raised by Taxes for Support of Municipal Budget:			
Minimum Library Tax	1,006,223.66	1,006,223.66	
Local Tax for Municipal Purpose	<u>23,055,002.18</u>	<u>23,515,215.83</u>	<u>460,213.65</u>
	<u>24,061,225.84</u>	<u>24,521,439.49</u>	<u>460,213.65</u>
	37,986,668.99	38,545,828.60	613,547.87
Nonbudget Revenue	<u> </u>	<u>183,391.68</u>	<u>183,391.68</u>
	<u><u>\$ 37,986,668.99</u></u>	<u><u>\$ 38,729,220.28</u></u>	<u><u>\$ 796,939.55</u></u>
 Budget revenue	 \$ 37,919,168.99		
Special items of revenue	<u>67,500.00</u>		
	<u><u>\$ 37,986,668.99</u></u>		

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-3

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

Appropriation	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT</u>						
Administrative and Executive:						
Salaries and Wages	\$ 209,000.00	\$ 209,000.00	\$ 184,039.52		\$ 24,960.48	
Other Expenses	224,761.67	234,761.67	177,772.79	\$ 27,620.74	29,368.14	
Mayor and Council:						
Other Expenses	4,080.00	10,580.00	8,139.61	510.00	1,930.39	
Village Committee:						
Other Expenses	220,000.00	220,000.00	215,172.52	375.00	4,452.48	
Neighborhoods:						
Other Expenses	15,000.00	15,000.00	1,600.00	4,790.00	8,610.00	
Office of Village Clerk:						
Salaries and Wages	205,000.00	205,000.00	178,121.25		26,878.75	
Other Expenses	55,500.00	68,000.00	66,314.73	43.65	1,641.62	
Financial Administration:						
Salaries and Wages	71,000.00	71,000.00	70,048.01		951.99	
Other Expenses	271,100.00	279,600.00	252,601.17	20,000.00	6,998.83	
Annual Audit	45,900.00	45,900.00	42,000.00		3,900.00	
Assessment of Taxes:						
Salaries and Wages	115,000.00	115,000.00	114,071.29		928.71	
Other Expenses	9,180.00	9,180.00	8,079.62	928.65	171.73	
Tax Appeals	320,000.00	320,000.00	288,380.42	31,619.58	0.00	
Collection of Taxes:						
Salaries and Wages	243,000.00	244,250.00	244,128.29		121.71	
Other Expenses	16,320.00	16,320.00	14,354.71	125.00	1,840.29	
Legal Services and Costs:						
Other Expenses	265,200.00	265,200.00	126,669.62	56,662.50	81,867.88	
Engineering Services and Costs:						
Salaries and Wages	286,000.00	286,000.00	266,521.97		19,478.03	
Other Expenses	42,600.00	42,600.00	30,644.01	4,407.10	7,548.89	
Computer Information Technology						
Salaries and Wages	172,000.00	184,500.00	173,574.22		10,925.78	
Other Expenses	153,000.00	153,000.00	138,426.05	250.00	14,323.95	
<u>LAND USE ADMINISTRATION</u>						
Planning Board:						
Other Expenses	6,120.00	16,120.00	14,907.20	220.00	992.80	
Board of Adjustment:						
Other Expenses	4,080.00	4,080.00	3,821.65	67.50	190.85	
Historic Preservation Commission:						
Other Expenses	6,120.00	6,120.00	3,933.87		2,186.13	
<u>INSURANCE</u>						
Employee Group Benefits	2,488,625.00	1,899,066.36	1,852,739.36		46,327.00	
General Liability	877,540.00	884,531.12	884,531.12			
<u>MUNICIPAL COURT</u>						
Municipal Court:						
Salaries and Wages	127,000.00	129,000.00	128,921.86		78.14	
Public Defender:						
Salaries and Wages	29,000.00	29,000.00	27,080.83		1,919.17	

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-3

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

Appropriation	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>PUBLIC SAFETY</u>						
Police:						
Salaries and Wages	\$ 6,143,900.00	\$ 6,318,900.00	\$ 6,224,090.44		\$ 94,809.56	
Other Expenses	295,800.00	340,800.00	294,467.39	\$ 17,528.49	28,804.12	
Emergency Management Service:						
Other Expenses	5,100.00	9,600.00	8,564.15		1,035.85	
Fire:						
Salaries and Wages	3,919,776.14	3,919,776.14	3,534,676.96		385,099.18	
Other Expenses	102,000.00	102,000.00	76,328.21	18,599.30	7,072.49	
<u>PUBLIC WORKS FUNCTIONS</u>						
Other Public Works Functions:						
Salaries and Wages	1,999,477.25	1,999,477.25	1,909,762.87		89,714.38	
Other Expenses	808,032.78	1,018,032.78	746,657.58	256,934.96	14,440.24	
<u>HEALTH AND WELFARE</u>						
Board of Health:						
Salaries and Wages	103,000.00	103,000.00	102,914.56		85.44	
Other Expenses	71,420.00	71,420.00	69,703.44	660.00	1,056.56	
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>RECREATION AND EDUCATION</u>						
Public Recreation Programs:						
Salaries and Wages	875,100.00	875,100.00	867,173.65		7,926.35	
Other Expenses	456,711.36	456,711.36	371,943.82	44,570.92	40,196.62	
Other Expenses (SOPAC)	295,290.00	295,290.00	289,500.00		5,790.00	
Celebration of Public Events:						
Other Expenses	20,910.00	20,910.00	2,889.56		18,020.44	
<u>UNIFORM CONSTRUCTION CODE</u>						
Construction Code Officials:						
Inspection of Buildings:						
Salaries and Wages	386,100.00	386,100.00	381,700.94		4,399.06	
Other Expenses	8,160.00	8,160.00	5,433.99	105.90	2,620.11	
<u>UNCLASSIFIED</u>						
Electricity	224,400.00	224,400.00	48,452.99		175,947.01	
Gasoline, Diesel Fuel and Lubricants	174,664.87	174,664.87	118,343.37		56,321.50	
Telephone and Telegraph	84,555.26	84,555.26	68,713.21		15,842.05	
Street Lighting	714,000.00	714,000.00	578,292.63	5,768.25	129,939.12	
Rent	222,900.00	229,356.24	229,356.24			
Salary Adjustments	50,522.75	50,522.75			50,522.75	
Total Operations Within "CAPS"	23,443,947.08	23,365,585.80	21,445,561.69	491,787.54	1,428,236.57	-
Detail:						
Salaries and Wages	14,884,353.39	15,075,103.39	14,406,826.66	-	668,276.73	-
Other Expenses	8,559,593.69	8,290,482.41	7,038,735.03	491,787.54	759,959.84	-

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-3

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

Appropriation	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>STATUTORY EXPENDITURES</u>						
Contributions to:						
Public Employees' Retirement System	\$ 703,439.00	\$ 721,910.96	\$ 721,910.96			
Social Security System (OASI)	607,311.52	638,211.52	638,211.27		\$ 0.25	
Unemployment Insurance	10,000.00	10,000.00	3,107.91		6,892.09	
Defined Contribution Retirement Program	1,020.00	1,020.00			1,020.00	
Police and Firemen's Retirement System	2,793,507.27	2,822,496.59	2,822,496.59			
	4,115,277.79	4,193,639.07	4,185,726.73	-	7,912.34	-
Total Appropriations Within "CAPS"	27,559,224.87	27,559,224.87	25,631,288.42	\$ 491,787.54	1,436,148.91	-
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
<u>OTHER OPERATIONS</u>						
Municipal Library	1,067,400.00	1,067,400.00	1,045,778.85	5,259.00	16,362.15	
Length of Service Awards Program	30,000.00	30,000.00			30,000.00	
Joint Trunk Sewer Maintenance	1,243,480.00	1,243,480.00	1,243,480.00			
	2,340,880.00	2,340,880.00	2,289,258.85	5,259.00	46,362.15	-
<u>Interlocal Municipal Service Agreements</u>						
Municipal Court - Township of Maplewood	475,000.00	475,000.00	210,933.90		264,066.10	
Code Enforcement - Township of Maplewood	115,000.00	115,000.00	110,221.18		4,778.82	
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET</u>						
<u>BY REVENUES</u>						
Municipal Alliance Grant	26,504.00	26,504.00	26,504.00			
Municipal Alliance Grant - Local Match	6,621.00	6,621.00	6,621.00			
Alcohol Education, Rehabilitation and Enforcement Fund	1,391.42	1,391.42	1,391.42			
Clean Communities	27,225.53	27,225.53	27,225.53			
Grotta Fund Planning Grant	150,000.00	150,000.00	150,000.00			
New Jersey Sustainable Grant	6,516.45	6,516.45	6,516.45			
Recycling Tonnage Grants	16,205.72	16,205.72	16,205.72			
Pedestrian Safety	7,510.00	7,510.00	7,510.00			
Total Public and Private Programs	241,974.12	241,974.12	241,974.12	-	-	-
Total Operations Excluded from "CAPS"	3,172,854.12	3,172,854.12	2,852,388.05	5,259.00	315,207.07	-
Detail:						
Salaries and Wages						
Other Expenses	3,172,854.12	3,172,854.12	2,852,388.05	5,259.00	315,207.07	-
<u>CAPITAL IMPROVEMENTS</u>						
Capital Improvement Fund	750,000.00	750,000.00	750,000.00			
	750,000.00	750,000.00	750,000.00	-	-	-

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-3

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

Appropriation	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
<u>DEBT SERVICE</u>						
Payment of Bond Principal	\$ 3,335,000.00	\$ 3,335,000.00	\$ 3,335,000.00			
Payment of Bond Anticipation Notes and Capital Notes	315,000.00	315,000.00	315,000.00			
Interest on Bonds	1,152,500.00	1,152,500.00	1,152,498.06			\$ 1.94
Interest on Notes	306,000.00	306,000.00	305,097.63			902.37
Green Trust Loan - Principal and Interest	8,540.00	8,540.00	8,534.65			5.35
2010 NJEIT - Principal and Interest	13,650.00	13,650.00	13,539.49			110.51
2015 NJEIT - Principal and Interest	23,900.00	23,900.00	23,900.00			-
	<u>5,154,590.00</u>	<u>5,154,590.00</u>	<u>5,153,569.83</u>	<u>-</u>	<u>-</u>	<u>1,020.17</u>
Total Appropriations Excluded from "CAPS"	<u>9,077,444.12</u>	<u>9,077,444.12</u>	<u>8,755,957.88</u>	<u>\$ 5,259.00</u>	<u>\$ 315,207.07</u>	<u>1,020.17</u>
Sub-Total Appropriations	36,636,668.99	36,636,668.99	34,387,246.30	497,046.54	1,751,355.98	1,020.17
Reserve for Uncollected Taxes	<u>1,350,000.00</u>	<u>1,350,000.00</u>	<u>1,350,000.00</u>			
Total General Appropriations	<u>\$ 37,986,668.99</u>	<u>\$ 37,986,668.99</u>	<u>\$ 35,737,246.30</u>	<u>\$ 497,046.54</u>	<u>\$ 1,751,355.98</u>	<u>\$ 1,020.17</u>
2019 Budgeted Appropriations		\$ 37,919,168.99				
Special Items of Revenue		67,500.00				
Reserve for Uncollected Taxes		(1,350,000.00)	\$ 1,350,000.00			
Cash Disbursements			32,909,072.18			
Grant Match			6,621.00			
Due to General Capital Fund			1,065,000.00			
Reserve for Tax Appeals			171,200.00			
Reserve for Federal/State Grants			235,353.12			
Canceled		<u>(1,020.17)</u>				
		<u>\$ 36,635,648.82</u>	<u>\$ 35,737,246.30</u>			

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
TRUST FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

B

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>Animal Control Fund</u>		
Cash	<u>\$ 11,457.11</u>	<u>\$ 6,857.75</u>
<u>General Trust Fund</u>		
Cash	\$ 2,875,150.71	\$ 2,886,473.70
Interfunds Receivable	514.86	
	<u>\$ 2,875,665.57</u>	<u>\$ 2,886,473.70</u>
<u>Payroll Trust Fund</u>		
Cash	<u>\$ 178,661.67</u>	<u>\$ 192,284.74</u>
 <u>LIABILITIES AND RESERVES</u>		
<u>Animal Control Fund</u>		
Reserve for Expenditures	<u>\$ 11,457.11</u>	<u>\$ 6,857.75</u>
<u>General Trust Fund</u>		
Interfunds Payable		
Reserves for:		
Special Deposits	\$ 2,583,671.44	\$ 2,558,358.45
Open Space	291,994.13	328,115.25
	<u>\$ 2,875,665.57</u>	<u>\$ 2,886,473.70</u>
<u>Payroll Trust Fund</u>		
Payroll Deductions Payable	<u>\$ 178,661.67</u>	<u>\$ 192,284.74</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
GENERAL CAPITAL FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

C

<u>ASSETS AND DEFERRED CHARGES</u>	<u>2019</u>	<u>2018</u>
Cash	\$ 7,602,241.51	\$ 3,478,435.11
Due from Seton Hall University	300,000.00	350,000.00
Deferred Charges to Future Taxation:		
Funded	37,171,701.14	40,543,169.59
Unfunded	28,863,250.00	14,928,250.00
	<u>\$ 73,937,192.65</u>	<u>\$ 59,299,854.70</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Serial Bonds	\$ 36,700,000.00	\$ 40,035,000.00
Environmental Infrastructure Loan	416,210.16	445,363.69
Green Acres Trust Loan Payable	55,490.98	62,805.90
Improvement Authorizations:		
Funded	219,048.56	297,372.17
Unfunded	18,514,527.80	7,806,585.54
Bond Anticipation Notes Payable	17,607,900.00	10,198,250.00
Capital Improvement Fund	25.53	25.53
Reserve for Preliminary Engineering Expenses	30.00	30.00
Reserve for Seton Hall University	300,000.00	350,000.00
Fund Balance	123,959.62	104,421.87
	<u>\$ 73,937,192.65</u>	<u>\$ 59,299,854.70</u>
 Bonds and Notes Authorized but not Issued	<u>\$ 11,255,350.00</u>	<u>\$ 4,730,000.00</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
GENERAL CAPITAL FUND

FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

C-1

Balance, December 31, 2018	\$ 104,421.87
Increased by:	
Premium on Sale of Notes	<u>123,959.62</u>
	228,381.49
Decreased by:	
Payment to Current Fund as Anticipated Revenue	<u>104,421.87</u>
Balance, December 31, 2019	<u><u>\$ 123,959.62</u></u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2019 AND 2018

D

ASSETS AND DEFERRED CHARGES

	<u>2019</u>	<u>2018</u>
<u>Operating Fund</u>		
Cash	\$ 1,868,912.33	\$ 1,036,054.53
Receivables with Full Reserves:		
Water Rents Receivable	147,162.16	147,162.16
Deferred Charges:		
Over Expenditure of Appropriations	32,921.70	-
	<u>32,921.70</u>	<u>-</u>
	<u>2,048,996.19</u>	<u>1,183,216.69</u>
<u>Capital Fund</u>		
Cash	3,956,179.90	293,703.19
Fixed Capital	10,760,893.09	10,760,893.09
Fixed Capital - Authorized and Uncompleted	12,492,500.00	8,500,000.00
Interfunds Receivable		
	<u>27,209,572.99</u>	<u>19,554,596.28</u>
	<u>\$ 29,258,569.18</u>	<u>\$ 20,737,812.97</u>

LIABILITIES, RESERVES AND FUND BALANCE

Operating Fund

Liabilities:		
Appropriation Reserves	\$ 774,296.11	\$ 184,902.04
Accounts Payable	3,320.00	
Accrued Interest Payable	61,367.50	23,445.79
Reserves for Accounts Receivable	147,162.16	147,162.16
Fund Balance	1,062,850.42	827,706.70
	<u>2,048,996.19</u>	<u>1,183,216.69</u>

Capital Fund

Improvement Authorizations:		
Funded	433,089.54	457,737.28
Unfunded	8,056,509.72	6,821,616.34
Serial Bond Payable	2,720,000.00	2,865,000.00
Reserve for Amortization	8,040,893.09	7,895,893.09
Bond Anticipation Notes Payable	7,880,000.00	1,500,000.00
Fund Balance	79,080.64	14,349.57
	<u>27,209,572.99</u>	<u>19,554,596.28</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 29,258,569.18</u>	<u>\$ 20,737,812.97</u>
Bonds and Notes Authorized but Not Issued	<u>\$ 4,612,500.00</u>	<u>\$ 7,000,000.00</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

STATEMENT OF OPERATIONS
AND CHANGES IN FUND BALANCE - OPERATING FUND
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018

D-1

	<u>2019</u>	<u>2018</u>
<u>Revenue and Other Income</u>		
Fund Balance Anticipated	\$ 48,366.79	
Miscellaneous Revenues	47,138.29	\$ 28,501.13
Water Rents	4,755,337.22	4,825,312.86
Deficit (General Budget)		1,047,974.45
Accrued Interest Payable Canceled		414.54
Appropriation Reserves Lapsed	1,035.00	
Total Income	<u>4,851,877.30</u>	<u>5,902,202.98</u>
<u>Expenditures</u>		
Budget Appropriations:		
Operations	3,975,586.04	3,809,562.80
Debt Service	317,671.70	206,885.78
Deferred Charges	-	1,047,974.45
Statutory Expenditures	8,030.75	37,249.20
	<u>4,301,288.49</u>	<u>5,101,672.23</u>
Excess in Revenue	<u>550,588.81</u>	<u>800,530.75</u>
Adjustment to Income before Fund Balance:		
Expenditures Included Above Which Are By		
Statute Deferred Charges to Budget of		
Succeeding Year	<u>32,921.70</u>	
Statutory Excess to Fund Balance	<u>583,510.51</u>	<u>800,530.75</u>
<u>Fund Balance</u>		
Balance, Beginning of Year	<u>827,706.70</u>	<u>27,175.95</u>
Decreased by:		
Amount Utilized as Utility Operating Fund Revenue	48,366.79	
Amount Utilized as Current Fund Revenue	300,000.00	-
	<u>348,366.79</u>	
Balance, End of Year	<u>\$ 1,062,850.42</u>	<u>\$ 827,706.70</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLGAE
WATER UTILITY CAPITAL FUND

STATEMENT OF FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

D-2

Balance, December 31, 2018	\$ 14,349.57
Increased by:	
Premium on Sale of Bonds and Notes	<u>64,731.07</u>
Balance, December 31, 2019	<u>\$ 79,080.64</u>

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

STATEMENT OF REVENUE - OPERATING FUND
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

D-3

<u>Source</u>	<u>Budget Revenue</u>	<u>Realized</u>	<u>Excess</u>
Fund Balance Anticipated	\$ 48,366.79	\$ 48,366.79	
Water Rents	4,200,000.00	4,755,337.22	\$ 555,337.22
Miscellaneous	20,000.00	47,138.29	27,138.29
	<u>\$ 4,268,366.79</u>	<u>\$ 4,850,842.30</u>	<u>\$ 582,475.51</u>
	Cash Receipts	\$ 4,830,842.30	
	Bond Premium Anticipated	20,000.00	
		<u>\$ 4,850,842.30</u>	

UNAUDITED
TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2019

D-4

Appropriation	Appropriations		Expended		Overexpenditure
	Budget	Modified Budget	Paid or Charged	Reserved	
<u>Operating</u>					
Salaries and Wages	\$ 130,500.00	\$ 130,500.00	\$ 92,252.75	\$ 38,247.25	
Other Expenses	3,845,086.04	3,845,086.04	3,109,037.18	736,048.86	
<u>Debt Service</u>					
Payment of Bond Principal	145,000.00	145,000.00	145,000.00		
Interest on Bonds	109,750.00	109,750.00	109,750.00		
Interest on Notes	30,000.00	30,000.00	62,921.70		\$ 32,921.70
<u>Statutory Expenditures</u>					
Social Security	3,480.75	3,480.75	3,480.75		
Public Employees Retirement System	4,550.00	4,550.00	4,550.00		
	<u>\$ 4,268,366.79</u>	<u>\$ 4,268,366.79</u>	<u>\$ 3,526,992.38</u>	<u>\$ 774,296.11</u>	<u>\$ 32,921.70</u>
Cash Disbursements			\$ 3,354,320.68		
Accrued Interest			172,671.70		
			<u>\$ 3,526,992.38</u>		

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The Township of South Orange Village

THE TOWNSHIP OF SOUTH ORANGE VILLAGE

ESSEX COUNTY, NEW JERSEY

REPORT OF AUDIT

YEARS ENDED DECEMBER 31, 2018 AND 2017

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 the governmental fixed assets of the Township of South Orange Village, County of Essex, New Jersey (the "Township") which comprise the balance sheets as of and for the years ended December 31, 2018 and 2017, and the related statements of operations and changes in fund balance for the years then ended, the statements of changes in fund balance, the statements of revenues and statements of expenditures for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Township 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 reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), as described in Note 1. 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 error or fraud.

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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit 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 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 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.

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 the Division's regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of the Township of South Orange Village, County of Essex, New Jersey, as of December 31, 2018 and 2017, the changes in its financial position, and, where applicable, its cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion the financial statements – regulatory basis referred to above present fairly, in all material respects, the respective financial position of the various funds and the governmental fixed assets of the Township of South Orange Village, County of Essex, New Jersey as of December 31, 2018 and 2017 and the respective results of operations and changes in fund balance for the years then ended, the statements of changes in fund balance, the statements of revenues and statements of expenditures for the year ended December 31, 2018 and the related notes to the financial statements in accordance with the financial reporting provisions of the Division, as described in Note 1 to the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2019 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Cranford, New Jersey
August 26, 2019

David J. Gannon

David J. Gannon, CPA
Registered Municipal Accountant, No. 520

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the regulatory basis financial statements of the various funds and account group of the Township of South Orange Village, Essex County, New Jersey (the "Township"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated August 26, 2019, in which we expressed an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States of America due to the differences between those principles and the financial reporting provisions of the Division.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PKF O'CONNOR DAVIES, LLP
20 Commerce Drive, Suite 301, Cranford, NJ 07016 | Tel: 908.272.6821 | Fax: 908.272.2416 | www.pkfod.com

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Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

Cranford, New Jersey
August 26, 2019

David J. Gannon

David J. Gannon, CPA
Registered Municipal Accountant, No. 520

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

A
Sheet #1

<u>ASSETS AND DEFERRED CHARGES</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Cash	A-4	\$ 5,611,255.73	\$ 10,919,213.53
Change Funds	A-5	225.00	325.00
Due from State of New Jersey: Ch. 129, P.L. 1976	A-6	16,610.34	15,825.34
		<u>5,628,091.07</u>	<u>10,935,363.87</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-7	910,026.66	945,768.07
Tax Title Liens	A-8	18,198.41	5,772.88
Other Accounts Receivable	A-9	3,329.75	1,200.20
Property Acquired for Taxes at Assessed Valuation	A-10	417,253.87	417,253.87
Improvement District Tax Receivable	A-11	3.42	176.45
Revenue Accounts Receivable	A-12	114,386.87	153,517.70
Interfunds Receivable	A-13	-	589,278.87
		<u>1,463,198.98</u>	<u>2,112,968.04</u>
		<u>7,091,290.05</u>	<u>13,048,331.91</u>
Federal and State Grant Fund:			
Cash	A-4	536,180.38	70,963.56
Federal and State Grants Receivable	A-14	3,874,052.60	3,285,302.60
		<u>4,410,232.98</u>	<u>3,356,266.16</u>
		<u>\$ 11,501,523.03</u>	<u>\$ 16,404,598.07</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

A
Sheet #2

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Expenditure Reserves:			
Appropriation Reserves:			
Encumbered	A-3, A-15	\$ 368,584.20	\$ 368,667.07
Unencumbered	A-3, A-15	1,877,875.41	1,094,250.94
Tax Overpayments	A-17	62,139.01	69,639.48
Sewer Rent Overpayments	A-19	2,694.69	2,325.06
Accounts Payable	A-16	-	71,450.88
School Taxes Payable	A-21	33,820.50	33,820.50
County Taxes Payable	A-20	21,272.72	19,111.03
Various Reserves	A-23	140,195.91	214,311.15
Prepaid Taxes	A-24	357,617.18	7,459,464.97
		<u>2,864,199.62</u>	<u>9,333,041.08</u>
Reserve for Receivables and Other Assets		1,463,198.98	2,112,968.04
Fund Balance	A-1	<u>2,763,891.45</u>	<u>1,602,322.79</u>
		<u>7,091,290.05</u>	<u>13,048,331.91</u>
Federal and State Grant Fund:			
Appropriated Reserves	A-26	4,285,089.58	3,331,609.49
Unappropriated Reserves	A-27	125,143.40	24,656.67
		<u>4,410,232.98</u>	<u>3,356,266.16</u>
		<u>\$ 11,501,523.03</u>	<u>\$ 16,404,598.07</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, 2018 AND 2017

A-1

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Revenue and Other Income</u>			
Fund Balance Utilized	A-2	\$ 1,575,000.00	\$ 998,000.00
Miscellaneous Revenue Anticipated	A-2	11,450,639.42	11,773,209.44
Receipts from Delinquent Taxes	A-2a	926,411.92	794,646.16
Receipts from Current Taxes	A-2a	88,551,005.46	86,345,945.73
Nonbudget Revenue	A-2b	1,510,918.75	128,301.52
Other Credits to Income:			
Special Improvement District Receivable Liquidated	A-11	173.03	1,169.35
Appropriation Reserves Lapsed	A-15	916,025.38	223,384.70
Sewer Rent Overpayments Canceled			6.07
Special Improvement District Overpayments Canceled			2.13
Prior Year Interfunds Returned	A-13	402,433.09	
Accounts Payable Canceled			6,510.00
		<u>105,332,607.05</u>	<u>100,271,175.10</u>
Total Revenue and Other Income			
<u>Expenditures</u>			
Budget and Emergency Appropriations	A-3	36,684,787.28	34,640,896.66
Prior Year Senior Citizen Deduction Disallowed	A-6		500.00
Interfunds Advanced			589,278.87
Other Accounts Receivable Established	A-9	3,239.75	
Local Open Space Tax	A-22	284,085.56	283,869.96
County Taxes	A-20	14,830,973.80	14,053,462.64
Regional District School Tax	A-21	50,792,952.00	49,740,141.00
		<u>102,596,038.39</u>	<u>99,308,149.13</u>
Total Expenditures			
Statutory Excess to Fund Balance		2,736,568.66	963,025.97
<u>Fund Balance</u>			
Balance, Beginning of Year	A	<u>1,602,322.79</u>	<u>1,637,296.82</u>
		4,338,891.45	2,600,322.79
Decreased by:			
Utilized as Anticipated Revenue	Above	<u>1,575,000.00</u>	<u>998,000.00</u>
Balance, End of Year	A	<u>\$ 2,763,891.45</u>	<u>\$ 1,602,322.79</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

A-2
Sheet #1

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Appropriated	A-1	<u>\$ 1,575,000.00</u>	<u>\$ 1,575,000.00</u>	<u>\$</u>
<u>Miscellaneous Revenues</u>				
Alcoholic Beverage Licenses	A-12	30,850.00	31,200.00	350.00
Other Licenses	A-12	22,950.00	19,179.50	(3,770.50)
Fees and Permits	A-12	96,000.00	90,045.45	(5,954.55)
Municipal Court Fines and Costs	A-12	815,000.00	709,888.04	(105,111.96)
Interest and Cost on Taxes	A-12	220,000.00	243,494.51	23,494.51
Interest on Investments and Deposits	A-12	90,000.00	323,216.26	233,216.26
Recreation Receipts	A-12	920,000.00	944,200.94	24,200.94
Sewer User Fees	A-12	2,370,000.00	2,417,701.44	47,701.44
Cable TV Franchise Fee	A-12	218,000.00	223,162.90	5,162.90
Payment in Lieu of Taxes	A-12	2,925,000.00	2,310,801.12	(614,198.88)
Cell Tower Rental Fee	A-12	122,000.00	88,226.05	(33,773.95)
Energy Receipts Tax	A-12	1,456,861.00	1,456,861.00	-
Uniform Construction Code Fees	A-12	899,000.00	884,633.00	(14,367.00)
Uniform Fire Safety Act	A-12	19,600.00	23,851.43	4,251.43
General Capital Fund Balance	A-12	95,000.00	95,000.00	-
Rent - Walton Ave	A-12	40,000.00	30,000.00	(10,000.00)
Seton Hall Debt Service Payment	A-12	68,000.00	66,500.00	(1,500.00)
Police Side Job Fees	A-12	57,000.00	71,782.50	14,782.50
Bond Sale Premium	A-12	25,529.92	25,529.92	-
Water Utility Interfund Returned	A-12	186,845.78	186,845.78	-
Joint Meeting Refund of Surplus	A-12	112,000.00	112,946.91	946.91
		<u>10,789,636.70</u>	<u>10,355,066.75</u>	<u>(434,569.95)</u>
Federal and State Grants:				
Municipal Alliance Grant		26,483.00	26,483.00	-
Council of the Arts		9,433.00	9,433.00	-
Recycling Tonnage Grants		24,656.67	24,656.67	-
NJDOT - Tichenor Avenue		235,000.00	235,000.00	-
NJ DOT - Ward & Radel		300,000.00	300,000.00	-
NJ Historic Trust - Connett Building		500,000.00	500,000.00	-
	A-26	<u>1,095,572.67</u>	<u>1,095,572.67</u>	<u>-</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

A-2
Sheet #2

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Total Miscellaneous Revenue	A-1	<u>\$ 11,885,209.37</u>	<u>\$ 11,450,639.42</u>	<u>\$ (434,569.95)</u>
Receipts from Delinquent Taxes	A-2a	<u>940,000.00</u>	<u>926,411.92</u>	<u>(13,588.08)</u>
Amount to be Raised by Taxes for Support of Municipal Budget:				
Minimum Library Tax		977,760.87	977,760.87	
Local Tax for Municipal Purpose		<u>22,612,077.03</u>	<u>22,965,733.23</u>	<u>353,656.20</u>
	A-2a	<u>23,589,837.90</u>	<u>23,943,494.10</u>	<u>353,656.20</u>
		37,990,047.27	37,895,545.44	(94,501.83)
Nonbudget Revenue	A-2b	<u> </u>	<u>1,510,918.75</u>	<u>1,510,918.75</u>
	Below	<u>\$ 37,990,047.27</u>	<u>\$ 39,406,464.19</u>	<u>\$ 1,416,416.92</u>
Budget revenue	A-3	\$ 37,755,047.27		
Special items of revenue	A-3	<u>235,000.00</u>		
	Above	<u>\$ 37,990,047.27</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, 2018

A-2a

<u>Allocation of Tax Collections</u>	<u>Ref.</u>	<u>Total</u>	<u>Receipts from Delinquent Taxes</u>	<u>Current Tax Collections</u>
Taxes Receivable Cash Receipts	A-7	\$ 81,981,202.41	\$ 926,411.92	\$ 81,054,790.49
Exemptions Granted	A-7	36,750.00		36,750.00
Prepaid Taxes Applied	A-7	7,459,464.97		7,459,464.97
Total Revenue	A-1	89,477,417.38	926,411.92	88,551,005.46
Allocated to:				
County Levy and Added Taxes	A-20	(14,830,973.80)		(14,830,973.80)
Regional District School Taxes	A-21	(50,792,952.00)		(50,792,952.00)
Local Open Space	A-22	(284,085.56)		(284,085.56)
Plus: Reserve for Uncollected Taxes	A-3	1,300,500.00		1,300,500.00
Realized Revenue	A-2	<u>\$ 24,869,906.02</u>	<u>\$ 926,411.92</u>	<u>\$ 23,943,494.10</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, 2018

A-2b

Ref.

Miscellaneous Revenue Not Anticipated

Cash Receipts:

Shared IT Services		\$ 7,592.50
Miscellaneous Overpayments		5,992.17
Gas Light Ads		4,950.93
Sale of Property		139,897.00
Board of Elections		80.00
Bid Specs		1,230.00
Copies		335.85
Bounced Checks		1,560.00
Tree Permit and Village Replacement Tree Fund		300.00
Health Benefits Insurance		1,987.92
Other		<u>145,992.38</u>
	A-4	309,918.75
 Sale of Assets	 A-23	 <u>1,201,000.00</u>
	A-1, A-2a	<u>\$ 1,510,918.75</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-3
Sheet # 1

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

Appropriation	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT</u>						
Administrative and Executive:						
Salaries and Wages	\$ 296,000.00	\$ 174,412.09	\$ 173,023.71		\$ 1,388.38	
Other Expenses	380,000.00	400,000.00	379,912.28	\$ 4,228.67	15,859.05	
Mayor and Council:						
Other Expenses	4,000.00	4,000.00	2,844.45		1,155.55	
Village Committee:						
Other Expenses	46,000.00	46,000.00	44,327.19		1,672.81	
Office of Village Clerk:						
Salaries and Wages	172,000.00	172,872.82	172,872.82			
Other Expenses	25,000.00	25,000.00	14,958.04	1,224.00	8,817.96	
Financial Administration:						
Salaries and Wages	39,000.00	39,000.00	38,865.94		134.06	
Other Expenses	305,000.00	305,000.00	293,557.13		11,442.87	
Annual Audit	45,000.00	45,000.00	42,000.00		3,000.00	
Assessment of Taxes:						
Salaries and Wages	112,000.00	112,000.00	111,834.63		165.37	
Other Expenses	9,000.00	9,000.00	4,054.93	1,082.91	3,862.16	
Tax Appeals	320,000.00	320,000.00	320,000.00			
Collection of Taxes:						
Salaries and Wages	180,000.00	200,000.00	198,395.86		1,604.14	
Other Expenses	16,000.00	16,000.00	14,477.11	46.00	1,476.89	
Legal Services and Costs:						
Other Expenses	240,000.00	260,000.00	235,572.37	16,244.78	8,182.85	
Engineering Services and Costs:						
Salaries and Wages	200,000.00	200,000.00	199,050.67		949.33	
Other Expenses	30,000.00	30,000.00	23,498.20	2,156.25	4,345.55	
Computer Information Technology						
Salaries and Wages	160,000.00	160,000.00	151,272.04		8,727.96	
Other Expenses	150,000.00	150,000.00	138,362.45	4,351.38	7,286.17	
<u>LAND USE ADMINISTRATION</u>						
Planning Board:						
Salaries and Wages	3,500.00	3,500.00			3,500.00	
Other Expenses	6,000.00	6,000.00	12,728.17	(9,800.20)	3,072.03	
Board of Adjustment:						
Salaries and Wages	3,500.00	3,500.00			3,500.00	
Other Expenses	4,000.00	4,000.00	2,055.80	64.80	1,879.40	
Historic Preservation Commission:						
Salaries and Wages	3,000.00	3,000.00			3,000.00	
Other Expenses	6,000.00	6,000.00	1,765.00		4,235.00	
<u>INSURANCE</u>						
Employee Group Benefits	2,480,000.00	2,360,000.00	1,907,252.79		452,747.21	
General Liability	942,784.75	942,784.75	942,784.75			
<u>MUNICIPAL COURT</u>						
Municipal Court:						
Salaries and Wages	126,480.00	126,480.00	124,600.55		1,879.45	
Public Defender:						
Salaries and Wages	29,580.00	29,580.00	22,989.20		6,590.80	

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-3
Sheet # 2

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

Appropriation	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>PUBLIC SAFETY</u>						
Police:						
Salaries and Wages	\$ 6,520,000.00	\$ 6,520,000.00	\$ 6,311,201.60		\$ 208,798.40	
Other Expenses	290,000.00	290,000.00	205,614.78	\$ 31,468.09	52,917.13	
Emergency Management Service:						
Other Expenses	5,000.00	5,000.00	3,058.67		1,941.33	
Fire:						
Salaries and Wages	3,850,000.00	3,893,148.42	3,893,148.42			
Other Expenses	100,000.00	140,000.00	85,499.54	47,366.64	7,133.82	
<u>PUBLIC WORKS FUNCTIONS</u>						
Other Public Works Functions:						
Salaries and Wages	1,800,000.00	1,800,000.00	1,773,680.13		26,319.87	
Other Expenses	780,000.00	820,000.00	611,775.42	175,502.70	32,721.88	
<u>HEALTH AND WELFARE</u>						
Board of Health:						
Salaries and Wages	150,000.00	130,000.00	128,711.13		1,288.87	
Other Expenses	21,000.00	41,000.00	38,002.39	1,116.80	1,880.81	
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>RECREATION AND EDUCATION</u>						
Public Recreation Programs:						
Salaries and Wages	920,000.00	898,103.67	863,045.74		35,057.93	
Other Expenses	454,251.33	454,251.33	376,341.19	69,054.34	8,855.80	
Other Expenses (SOPAC)	289,500.00	289,500.00	289,500.00			
Celebration of Public Events:						
Other Expenses	20,500.00	20,500.00	8,707.55	350.00	11,442.45	
<u>UNIFORM CONSTRUCTION CODE</u>						
Construction Code Officials:						
Inspection of Buildings:						
Salaries and Wages	345,000.00	359,754.98	359,754.98			
Other Expenses	8,000.00	8,000.00	5,673.84	92.99	2,233.17	
<u>UNCLASSIFIED</u>						
Electricity	220,000.00	220,000.00	75,250.63	1,905.79	142,843.58	
Gasoline, Diesel Fuel and Lubricants	138,000.00	168,000.00	149,540.91	17,719.06	740.03	
Telephone and Telegraph	75,000.00	85,000.00	77,010.29		7,989.71	
Street Lighting	700,000.00	700,000.00	201,171.21	4,409.20	494,419.59	
Rent	220,000.00	226,286.10	226,286.10			
<u>CONTINGENT</u>	5,000.00	5,000.00			5,000.00	
Total Operations Within "CAPS"	23,245,096.08	23,226,674.16	21,256,030.60	368,584.20	1,602,059.36	-
Detail:						
Salaries and Wages	14,910,060.00	14,825,351.98	14,522,447.42	-	302,904.56	-
Other Expenses	8,335,036.08	8,401,322.18	6,733,583.18	368,584.20	1,299,154.80	

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-3
Sheet # 3

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

Appropriation	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>STATUTORY EXPENDITURES</u>						
Contributions to:						
Public Employees' Retirement System	\$ 654,144.09	\$ 654,144.09	\$ 654,144.09			
Social Security System (OASI)	607,303.06	619,745.88	619,676.02		\$ 69.86	
Unemployment Insurance	10,000.00	10,000.00			10,000.00	
Disability Insurance	15,000.00	15,000.00			15,000.00	
Defined Contribution Retirement Program	1,000.00	1,000.00			1,000.00	
Police and Firemen's Retirement System	2,251,711.00	2,251,711.00	2,251,711.00			
	3,539,158.15	3,551,600.97	3,525,531.11	-	26,069.86	-
Total Appropriations Within "CAPS"	26,784,254.23	26,778,275.13	24,781,561.71	\$ 368,584.20	1,628,129.22	-
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
<u>OTHER OPERATIONS</u>						
Municipal Library	1,023,000.00	1,028,677.29	1,028,677.29			
Length of Service Awards Program	20,400.00	20,400.00	20,400.00			
Joint Trunk Sewer Maintenance	1,187,822.00	1,187,822.00	1,187,822.00			
	2,231,222.00	2,236,899.29	2,236,899.29	-	-	-
<u>Interlocal Municipal Service Agreements</u>						
Municipal Court - Township of Maplewood	421,362.00	421,362.00	281,915.81		139,446.19	
Code Enforcement - Township of Maplewood	110,300.00	110,300.00			110,300.00	
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
Municipal Alliance Grant	26,483.00	26,483.00	26,483.00			
Municipal Alliance Grant - Local Match	6,621.00	6,621.00	6,621.00			
Council of the Arts	9,433.00	9,433.00	9,433.00			
Recycling Tonnage Grants	24,656.67	24,656.67	24,656.67			
NJ Historic Trust - Connett Building	500,000.00	500,000.00	500,000.00			
Total Public and Private Programs	567,193.67	567,193.67	567,193.67	-	-	-
Total Operations Excluded from "CAPS"	3,330,077.67	3,335,754.96	3,086,008.77	-	249,746.19	-
Detail:						
Salaries and Wages						
Other Expenses	3,330,077.67	3,335,754.96	3,086,008.77	-	249,746.19	-
<u>CAPITAL IMPROVEMENTS</u>						
Capital Improvement Fund	200,000.00	200,000.00	200,000.00			
NJDOT		235,000.00	235,000.00			
NJDOT	300,000.00	300,000.00	300,000.00		-	
	500,000.00	735,000.00	735,000.00	-	-	-

TOWNSHIP OF SOUTH ORANGE VILLAGE
CURRENT FUND

A-3
Sheet # 4

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

Appropriation	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
<u>DEBT SERVICE</u>						
Payment of Bond Principal	\$ 3,200,000.00	\$ 3,200,000.00	\$ 3,200,000.00			
Payment of Bond Anticipation Notes and Capital Notes	183,702.00	183,702.00	183,702.00			
Interest on Bonds	1,070,029.92	1,070,029.92	1,065,953.69			\$ 4,076.23
Interest on Notes	291,700.00	291,700.00	291,258.65			441.35
Green Trust Loan - Principal and Interest	8,540.00	8,540.00	8,534.64			5.36
2010 NJEIT - Principal and Interest	13,550.00	13,851.81	13,851.81			
2015 NJEIT - Principal and Interest	24,719.00	24,719.00	24,481.95			237.05
	<u>4,792,240.92</u>	<u>4,792,542.73</u>	<u>4,787,782.74</u>	<u>-</u>	<u>-</u>	<u>4,759.99</u>
<u>Deferred Charges:</u>						
Water Utility Operating Deficit	1,047,974.45	1,047,974.45	1,047,974.45			
	<u>1,047,974.45</u>	<u>1,047,974.45</u>	<u>1,047,974.45</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Appropriations Excluded from "CAPS"	9,670,293.04	9,911,272.14	9,656,765.96	-	\$ 249,746.19	4,759.99
Sub-Total Appropriations	36,454,547.27	36,689,547.27	34,438,327.67	\$ 368,584.20	1,877,875.41	4,759.99
Reserve for Uncollected Taxes	1,300,500.00	1,300,500.00	1,300,500.00			
Total General Appropriations	<u>\$ 37,755,047.27</u>	<u>\$ 37,990,047.27</u>	<u>\$ 35,738,827.67</u>	<u>\$ 368,584.20</u>	<u>\$ 1,877,875.41</u>	<u>\$ 4,759.99</u>
<u>Ref.</u>	Below	Below	Below	A	A	Below
	<u>Ref.</u>					
2018 Appropriations	A-2	\$ 37,990,047.27				
Reserve for Uncollected Taxes	A-2a	(1,300,500.00)	\$ 1,300,500.00			
Cash Disbursements	A-4		31,768,160.55			
Grant Match	A-13		6,620.00			
Capital Improvement Fund	A-13		200,000.00			
Water Utility Operating Deficit	A-13		1,047,974.45			
Reserve for Tax Appeals	A-23		320,000.00			
Reserve for Federal/State Grants	A-26		1,095,572.67			
Canceled	Above	<u>(4,759.99)</u>				
	A-1	<u>\$ 36,684,787.28</u>	<u>\$ 35,738,827.67</u>			

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
TRUST FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

B

<u>ASSETS</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Animal Control Fund</u>			
Cash	B-1	\$ 6,857.75	\$ 142.75
<u>General Trust Fund</u>			
Cash	B-1	\$ 2,886,473.70	\$ 2,434,522.51
<u>Payroll Trust Fund</u>			
Cash	B-1	\$ 192,284.74	\$ 190,804.44
 <u>LIABILITIES AND RESERVES</u>			
<u>Animal Control Fund</u>			
Reserve for Expenditures	B-6	\$ 6,857.75	\$ 142.75
<u>General Trust Fund</u>			
Interfunds Payable	B-2		\$ 2,433.09
Reserves for:			
Special Deposits	B-7	\$ 2,558,358.45	2,324,346.00
Open Space	B-4	328,115.25	107,743.42
		\$ 2,886,473.70	\$ 2,434,522.51
<u>Payroll Trust Fund</u>			
Payroll Deductions Payable	B-5	\$ 192,284.74	\$ 190,804.44

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
GENERAL CAPITAL FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

C

<u>ASSETS AND DEFERRED CHARGES</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Cash	C-2	\$ 3,478,435.11	\$ 9,203,666.43
Due from Seton Hall University	C-4	350,000.00	400,000.00
Deferred Charges to Future Taxation:			
Funded	C-7	40,543,169.59	35,279,493.90
Unfunded	C-8	14,928,250.00	20,223,452.00
		<u>\$ 59,299,854.70</u>	<u>\$ 65,106,612.33</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Serial Bonds	C-10	\$ 40,035,000.00	\$ 34,735,000.00
Environmental Infrastructure Loan	C-14	445,363.69	474,517.22
Green Acres Trust Loan Payable	C-13	62,805.90	69,976.68
Improvement Authorizations:			
Funded	C-12	297,372.17	93,135.39
Unfunded	C-12	7,806,585.54	9,779,230.19
Bond Anticipation Notes Payable	C-11	10,198,250.00	19,456,952.00
Capital Improvement Fund	C-9	25.53	25.53
Reserve for Preliminary Engineering Expenses	C-15	30.00	30.00
Reserve for Seton Hall University	C-5	350,000.00	400,000.00
Fund Balance	C-1	104,421.87	97,745.32
		<u>\$ 59,299,854.70</u>	<u>\$ 65,106,612.33</u>
 Bonds and Notes Authorized but not Issued	 C-16	 <u>\$ 4,730,000.00</u>	 <u>\$ 766,500.00</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
GENERAL CAPITAL FUND

FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

C-1

	<u>Ref.</u>	
Balance, December 31, 2017	C	\$ 97,745.32
Increased by:		
Premium on Sale of Bonds	C-2	575,000.00
Premium on Sale of Notes	C-2	101,676.55
		<u>774,421.87</u>
Decreased by:		
Payment to Current Fund as Anticipated Revenue	C-6	95,000.00
Premium on Bonds Used to Reduce Principal	C-2	575,000.00
		<u>575,000.00</u>
Balance, December 31, 2018	C	<u>\$ 104,421.87</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

D

<u>ASSETS AND DEFERRED CHARGES</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Operating Fund</u>			
Cash	D-5	\$ 1,036,054.53	
Receivables with Full Reserves:			
Water Rents Receivable	D-7	147,162.16	\$ 301,894.22
Deferred Charges:			
Over Expenditure of Appropriations	D-4		606,122.78
Deficit in Operations	D-1		441,851.67
			1,047,974.45
		1,183,216.69	1,349,868.67
<u>Capital Fund</u>			
Cash	D-5, D-6	293,703.19	413,235.90
Fixed Capital	D-11	10,760,893.09	8,460,893.09
Fixed Capital - Authorized and Uncompleted	D-12	8,500,000.00	5,800,000.00
Interfunds Receivable			
		19,554,596.28	14,674,128.99
		\$ 20,737,812.97	\$ 16,023,997.66
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
<u>Operating Fund</u>			
Liabilities:			
Appropriation Reserves - Encumbered	D-15		\$ 226,285.39
Appropriation Reserves	D-4	\$ 184,902.04	
Cash Overdraft	D-5		183,807.00
Accrued Interest Payable	D-10	23,445.79	23,860.33
Reserves for Accounts Receivable	D-7	147,162.16	301,894.22
Interfund Payable	D-13		586,845.78
Fund Balance	D-1	827,706.70	27,175.95
		1,183,216.69	1,349,868.67
<u>Capital Fund</u>			
Improvement Authorizations:			
Funded	D-16	457,737.28	
Unfunded	D-16	6,821,616.34	3,902,496.33
Serial Bond Payable	D-14	2,865,000.00	795,000.00
Reserve for Amortization	D-8	7,895,893.09	7,665,893.09
Bond Anticipation Notes Payable	D-17	1,500,000.00	2,300,000.00
Fund Balance	D-2	14,349.57	10,739.57
		19,554,596.28	14,674,128.99
Total Liabilities, Reserves and Fund Balance		\$ 20,737,812.97	\$ 16,023,997.66
Bonds and Notes Authorized but Not Issued	D-18	\$ 7,000,000.00	\$ 3,500,000.00

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, 2018 AND 2017

D-1

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Revenue and Other Income</u>			
Miscellaneous Revenues	D-3	\$ 28,501.13	\$ 8,824.85
Water Rents	D-3	4,825,312.86	2,740,553.78
Deficit (General Budget)	D-3	1,047,974.45	
Accrued Interest Payable Canceled	D-10	414.54	
Appropriation Reserves Lapsed			19,969.70
Total Income		<u>5,902,202.98</u>	<u>2,769,348.33</u>
<u>Expenditures</u>			
Budget Appropriations:			
Operations		3,809,562.80	3,631,933.60
Debt Service		206,885.78	113,402.00
Deferred Charges		1,047,974.45	
Statutory Expenditures		37,249.20	71,987.18
	D-4	<u>5,101,672.23</u>	<u>3,817,322.78</u>
Deficit in Revenue			(1,047,974.45)
Excess in Revenue		<u>800,530.75</u>	
Adjustment to Income before Fund Balance:			
Expenditures Included Above Which Are By			
Statute Deferred Charges to Budget of			
Succeeding Year			606,122.78
Deficit in Operations to be Raised in Budget of Succeeding Year	D		<u>441,851.67</u>
Statutory Excess to Fund Balance		<u>800,530.75</u>	
<u>Fund Balance</u>			
Balance, Beginning of Year	D	<u>27,175.95</u>	<u>27,175.95</u>
Balance, End of Year	D	<u>\$ 827,706.70</u>	<u>\$ 27,175.95</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLGAE
WATER UTILITY CAPITAL FUND

STATEMENT OF FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

D-2

	<u>Ref.</u>	
Balance, December 31, 2017	D	\$ 10,739.57
Increased by:		
Premium on Sale of Bonds and Notes	D-5	<u>8,529.96</u>
		19,269.53
Decreased by:		
Fund Balance Anticipated in Operating Fund	D-9	<u>4,919.96</u>
Balance, December 31, 2018	D	<u><u>\$ 14,349.57</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

STATEMENT OF REVENUE - OPERATING FUND
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

D-3

<u>Source</u>	<u>Ref.</u>	<u>Budget Revenue</u>	<u>Realized</u>	<u>(Deficit) Excess</u>
Water Rents	D-1	\$ 4,050,000.00	\$ 4,825,312.86	\$ 775,312.86
Miscellaneous	D-1	4,919.96	28,501.13	23,581.17
Deficit (General Budget)	D-1	<u>1,047,974.45</u>	<u>1,047,974.45</u>	<u>-</u>
	D-4	<u>\$ 5,102,894.41</u>	<u>\$ 5,901,788.44</u>	<u>\$ 798,894.03</u>
			Below	
		Cash Receipts	D-5 \$ 4,848,894.03	
		Bond Premium Anticipated	D-13 4,919.96	
		Deficit (General Budget)	D-13 <u>1,047,974.45</u>	
			<u>\$ 5,901,788.44</u>	
			Above	

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
WATER UTILITY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2018

D-4

<u>Appropriation</u>	<u>Appropriations</u>		<u>Expended</u>		<u>Unexpended Balance Canceled</u>
	<u>Budget</u>	<u>Modified Budget</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<u>Operating</u>					
Salaries and Wages	\$ 222,456.72	\$ 222,456.72	\$ 222,456.72		
Other Expenses	3,587,106.08	3,587,106.08	3,402,204.04	\$ 184,902.04	
<u>Debt Service</u>					
Payment of Bond Principal	65,000.00	65,000.00	65,000.00		
Interest on Bonds	69,607.96	69,607.96	68,445.00		\$ 1,162.96
Payment of BAN Principal	45,000.00	45,000.00	45,000.00		
Interest on Notes	28,500.00	28,500.00	28,440.78		59.22
<u>Deferred Charges</u>					
Overexpenditure of Appropriations	606,122.78	606,122.78	606,122.78		
Prior Year Deficit	441,851.67	441,851.67	441,851.67		
<u>Statutory Expenditures</u>					
Social Security	17,017.94	17,017.94	17,017.94		
Public Employees Retirement System	20,231.26	20,231.26	20,231.26		
	<u>\$ 5,102,894.41</u>	<u>\$ 5,102,894.41</u>	<u>\$ 4,916,770.19</u>	<u>\$ 184,902.04</u>	<u>\$ 1,222.18</u>
<u>Ref.</u>	D-3	D-3	Below	D	D-1
Cash Disbursements	<u>Ref.</u>				
Deferred Charges	D-5		\$ 3,429,064.67		
Accrued Interest	D		1,047,974.45		
Interfunds - Water Capital	D-10		28,440.78		
Interfunds - Current	D-13		45,000.00		
	D-13		366,290.29		
	Above		<u>\$ 4,916,770.19</u>		

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
PUBLIC ASSISTANCE FUND

BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

E

<u>ASSETS</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Cash	E-2	\$ 598.42	\$ 588.77
		<u>\$ 598.42</u>	<u>\$ 588.77</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Fund Balance	E-1	\$ 598.42	\$ 588.77
		<u>\$ 598.42</u>	<u>\$ 588.77</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, 2018 AND 2017

E

<u>ASSETS</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Unrestricted</u>			
Cash	F-2	\$ 72,884.07	\$ 74,664.59
Cash - Money Market	F-3	89,501.46	89,230.06
		<u>162,385.53</u>	<u>163,894.65</u>
<u>Restricted</u>			
Cash	F-2	<u>201,038.57</u>	<u>199,963.62</u>
Total Assets		<u>\$ 363,424.10</u>	<u>\$ 363,858.27</u>
<u>FUND BALANCE</u>			
Restricted for Computer Technology		\$ 201,038.57	\$ 199,963.62
Unrestricted		<u>162,385.53</u>	<u>163,894.65</u>
Total Fund Balance	F-1	<u>363,424.10</u>	<u>363,858.27</u>
Total Liabilities and Fund Balance		<u>\$ 363,424.10</u>	<u>\$ 363,858.27</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, 2018 AND 2017

F-1

	<u>Ref.</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Balance December 31, 2018</u>	<u>Balance December 31, 2017</u>
Revenue:					
Gifts	F-2	\$ 18,892.12		\$ 18,892.12	\$ 29,854.93
Copier Fees	F-2	13,795.05		13,795.05	15,942.43
Fines and Lost Books	F-2	11,897.69		11,897.69	7,580.03
Miscellaneous	F-2	5,249.16		5,249.16	4,608.31
Interest on Deposits and Investments	F-2, F-3	331.77	\$ 1,074.95	1,406.72	1,107.04
State Library Aid	F-2	8,507.00		8,507.00	8,427.00
Current Fund Budget Appropriation	F-4	1,028,677.29		1,028,677.29	1,037,975.24
		<u>1,087,350.08</u>	<u>1,074.95</u>	<u>1,088,425.03</u>	<u>1,105,494.98</u>
Expenditures:					
Paid Directly by Township	F-4	858,677.29		858,677.29	867,907.93
Books and Subscriptions and Other Expenses	F-2	230,181.91		230,181.91	207,334.54
Basic Account Fee		-		-	20.00
		<u>1,088,859.20</u>		<u>1,088,859.20</u>	<u>1,075,262.47</u>
(Deficit) Excess Revenue		(1,509.12)	1,074.95	(434.17)	30,232.51
Fund Balance, Beginning of Year	F	<u>163,894.65</u>	<u>199,963.62</u>	<u>363,858.27</u>	<u>333,625.76</u>
Fund Balance, End of Year	F	<u>\$ 162,385.53</u>	<u>\$ 201,038.57</u>	<u>\$ 363,424.10</u>	<u>\$ 363,858.27</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, 2018 AND 2017

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Governmental Fixed Assets</u>		
Land and Improvements	\$ 33,828,166.00	\$ 34,156,866.00
Building and Improvements	42,222,784.00	41,677,784.00
Equipment	<u>11,613,903.60</u>	<u>11,499,603.60</u>
	<u>\$ 87,664,853.60</u>	<u>\$ 87,334,253.60</u>
Investment in Fixed Assets	<u>\$ 87,664,853.60</u>	<u>\$ 87,334,253.60</u>

See accompanying notes to financial statements.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

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, officer 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.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

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

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.

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. 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.

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

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

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

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.

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

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

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

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 2018.

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, 2018 and 2017

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.

Length of Services Award Program (LOSAP) - Financial reporting standards established by the DLGS/Division exclude the financial information relating to a LOSAP program from the scope of the statutory audit. Accordingly, financial information relating to the Township's LOSAP Program, a deferred income program created pursuant to Section 457 of the Internal Revenue Code for the benefit of the volunteers, is not reported as part of the Township's basic financial statements. As the LOSAP Plan's assets remain the property of the Township until withdrawn by participants, GAAP requires that the Plan's financial information be included in the Township's basic financial statements. See Note 12 regarding the availability of LOSAP Plan financial information.

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

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

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

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. The Township has implemented this GASB standard June, 2018.

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.

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.

2. Deposits and Investments

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, 2018 and 2017 the Township's bank balances were exposed to custodial credit risk.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank for periods ending December 31, 2018 and 2017. At December 31, 2018 and 2017, the book value of the Township's deposits was \$14,405,268 and \$23,413,189, respectively. At December 31, 2018 and 2017 the Township had the following depository accounts. All deposits are carried at cost. \$200,705 and \$239,253 held in agency and payroll accounts for the years ended December 31, 2018 and 2017, respectively, are not covered by GUDPA.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

2. Deposits and Investments (continued)

	December 31, 2018	December 31, 2017
<u>Depository Account</u>		
FDIC Insured	\$ 750,000	\$ 750,000
GUDPA Insured	<u>\$ 14,367,527</u>	<u>\$ 22,219,649</u>
	<u>\$ 15,117,527</u>	<u>\$ 22,969,649</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, 2018 and 2017, 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.

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

	<u>Year 2018</u>	<u>Year 2017</u>
<u>Issued</u>		
General:		
Bonds and Notes	\$ 50,233,250	\$ 54,191,952
Green Acres Trust Loan	62,806	69,977
Environmental Infrastructure	445,364	474,517
Water:		
Bonds and Notes	<u>4,365,000</u>	<u>3,095,000</u>
Total Debt Issued	<u>55,106,420</u>	<u>57,831,446</u>
<u>Authorized but Not Issued</u>		
General and Water:		
Bonds and Notes	<u>11,730,000</u>	<u>4,266,500</u>
Total Authorized but Not Issued	<u>11,730,000</u>	<u>4,266,500</u>
Net Bonds and Notes Issued and Authorized but Not Issued	<u>\$ 66,836,420</u>	<u>\$ 62,097,946</u>

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

3. MUNICIPAL DEBT (continued)

The statement of debt condition that follows is extracted from the Township's Annual Debt Statement and indicates a statutory net debt of 1.9% at December 31, 2018.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District	\$ 14,395,625	\$ 14,395,625	\$ -
Water Utility Debt	11,365,000	11,365,000	-
General Debt	55,471,420		55,471,420
	<u>\$ 81,232,045</u>	<u>\$ 25,760,625</u>	<u>\$ 55,471,420</u>

The Township's remaining borrowing power under N.J.S.A. 40A:2-6, as amended, at December 31, 2018 as follows:

3 1/2% of Equalized Valuation Basis	\$ 100,830,163
Net Debt	(55,471,420)
Remaining Borrowing Power	<u>\$ 45,358,744</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.

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

There being an excess in revenue, all such utility debt is deductible for Debt Statement purposes.

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

Surplus and Cash Receipts from Fees, Rent or Other Charges for Year		\$ 4,853,814
Deductions:		
Operating and Maintenance Costs	\$ 3,846,812	
Debt Service per Water/Sewer Utility	<u>206,886</u>	
		<u>4,053,698</u>
Excess Revenue		<u>800,116</u>

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

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, 2018 and 2017 are as follows:

	2018	2017
<u>General Obligation Bonds</u>		
\$2,200,000 Taxable Refunding Bonds; Annual maturities of \$315,000 to \$335,000 through December 2021, at interest rates ranging from 2.434% to 2.946%	\$ 975,000.00	\$ 1,285,000.00
\$9,990,000 Refunding General Improvement Bonds; Annual maturities of \$590,000 to \$635,000 through November 2029, at interest rates ranging from 2.50% to 5.00%	6,735,000.00	7,340,000.00
\$34,445,000 General Improvement Bonds; Annual maturities of \$1,900,000 to \$2,610,000 through January 2028 at interest rates ranging from 2.00% to 3.00%	23,825,000.00	26,110,000.00
\$8,500,000 General Obligation Bonds; Annual maturities of \$520,000 to \$810,000 through April 2031 at interest rates ranging from 3.00% to 5.00%	8,500,000.00	-
	<u>\$ 40,035,000.00</u>	<u>\$ 34,735,000.00</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%	\$ 730,000.00	\$ 795,000.00
\$2,135,000 Water Utility Bonds; Annual maturities from \$80,000 to \$160,000 through April 2033, at interest rates ranging from 3.00% to 5.00%	2,135,000.00	-
	<u>\$ 2,865,000.00</u>	<u>\$ 795,000.00</u>

The Township's principal and interest for general obligation bonds issued and outstanding as of December 31, 2018 is as follows:

Year	General		Water Utility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 3,335,000	\$ 1,152,498	\$ 145,000	\$ 109,750	\$ 3,480,000	\$ 1,262,248
2020	3,430,000	1,035,759	180,000	102,150	3,610,000	1,137,909
2021	3,525,000	921,317	190,000	94,100	3,715,000	1,015,417
2022	3,630,000	803,019	200,000	84,475	3,830,000	887,494
2023	3,745,000	698,944	200,000	75,125	3,945,000	774,069
2024-2028	19,435,000	1,881,709	1,085,000	242,375	20,520,000	2,124,084
2029-2033	2,935,000	126,350	865,000	62,113	3,800,000	188,463
	<u>\$ 40,035,000</u>	<u>\$ 6,619,596</u>	<u>\$ 2,865,000</u>	<u>\$ 770,088</u>	<u>\$ 42,900,000</u>	<u>\$ 7,389,683</u>

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

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 \$445,364.

The Township's principal and interest for New Jersey Environmental Trust and Fund Loans outstanding as of December 31, 2018 is as follows:

<u>General</u>		
Calendar		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 29,154	\$ 7,175
2020	29,154	6,725
2021	29,154	6,225
2022	29,154	5,825
2023	29,154	5,375
2024 - 2028	153,768	20,025
2029 - 2033	122,293	7,800
2034 - 2035	23,535	400
	\$ 445,364	\$ 59,550

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 \$62,806 at December 31, 2018.

The Township's principal and interest for the Green Acres Trust Loan outstanding as of December 31, 2018 is as follows:

<u>General</u>		
Calendar		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 7,315	\$ 1,220
2020	7,462	1,073
2021	7,612	923
2022	7,765	770
2023	7,921	614
2024-2028	24,731	873
	\$ 62,806	\$ 5,471

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

3. MUNICIPAL DEBT (continued)

Changes in Long-Term Municipal Debt

The Township's long-term capital debt activity for 2018 and 2017 is as follows:

	Balance December 31, 2017	Increases	Reductions	Balance December 31, 2018	Due Within One Year
General Capital Fund					
Bonds Payable	\$ 34,735,000	\$ 8,500,000	\$ 3,200,000	\$ 40,035,000	\$ 3,335,000
Environmental					
Infrastructure Loan	474,517		29,154	445,363	29,154
Green Acres Loan	69,977		7,171	62,806	7,315
	<u>35,279,494</u>	<u>8,500,000</u>	<u>3,236,325</u>	<u>40,543,169</u>	<u>3,371,469</u>
Water Utility Fund					
Bonds Payable	795,000	2,135,000	65,000	2,865,000	145,000
Total	<u>\$ 36,074,494</u>	<u>\$ 10,635,000</u>	<u>\$ 3,301,325</u>	<u>\$ 43,408,169</u>	<u>\$ 3,516,469</u>
	Balance December 31, 2016	Increases	Reductions	Balance December 31, 2017	Due Within One Year
General Capital Fund					
Bonds Payable	\$ 37,850,000		\$ 3,115,000	\$ 34,735,000	\$ 3,200,000
Environmental					
Infrastructure Loan	506,671		32,154	474,517	29,154
Green Acres Loan	77,006		7,029	69,977	7,171
	<u>38,433,677</u>	<u>-</u>	<u>3,154,183</u>	<u>35,279,494</u>	<u>3,236,325</u>
Water Utility Fund					
Bonds Payable	860,000		65,000	795,000	65,000
Total	<u>\$ 39,293,677</u>	<u>\$ -</u>	<u>\$ 3,219,183</u>	<u>\$ 36,074,494</u>	<u>\$ 3,301,325</u>

Short-Term Debt

The Township's short-term capital debt activity for 2018 and 2017 is as follows:

	Balance, December 31, 2017	Additions	Reductions	Balance, December 31, 2018
Bond Anticipation Notes	\$ 21,756,952	\$ 11,698,250	\$ 21,756,952	\$ 11,698,250
Total	<u>\$ 21,756,952</u>	<u>\$ 11,698,250</u>	<u>\$ 21,756,952</u>	<u>\$ 11,698,250</u>
	Balance, December 31, 2016	Additions	Reductions	Balance, December 31, 2017
Bond Anticipation Notes	\$ 9,480,368	\$ 21,756,952	\$ 9,480,368	\$ 21,756,952
Emergency Note	567,739		567,739	-
Total	<u>\$ 10,048,107</u>	<u>\$ 21,756,952</u>	<u>\$ 10,048,107</u>	<u>\$ 21,756,952</u>

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

4. **FIXED ASSETS**

General Fixed Assets

The following is a summary of changes in the General Fixed Assets account group as of December 31, 2018 and 2017:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Land and Land Improvements	\$ 34,156,866		\$ 328,700	\$ 33,828,166
Buildings and Building Improvements	41,677,784	\$ 545,000		42,222,784
Machinery and Equipment	11,499,604	114,300		11,613,904
	<u>\$ 87,334,254</u>	<u>\$ 659,300</u>	<u>\$ 328,700</u>	<u>\$ 87,664,854</u>
	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017
Land and Land Improvements	\$ 33,982,929	\$ 173,937		\$ 34,156,866
Buildings and Building Improvements	41,932,726		\$ 254,942	41,677,784
Machinery and Equipment	8,511,477	2,988,127		11,499,604
	<u>\$ 84,427,132</u>	<u>\$ 3,162,064</u>	<u>\$ 254,942</u>	<u>\$ 87,334,254</u>

Utility Fund Fixed Assets

Water Utility Fund

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Land and Land Improvements	\$ 3,048,937	\$ 2,300,000		\$ 5,348,937
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>\$ 2,300,000</u>	<u>\$ -</u>	<u>\$ 10,760,893</u>
	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017
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>

5. **DUE TO/FROM OTHER FUNDS**

As of December 31, 2018 and 2017, interfund receivables and payables that resulted from various interfund transactions are as follows:

	2018		2017	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund			\$ 589,279	
General Trust Fund				\$ 2,433
Water Utility Operating Fund				586,846
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 589,279</u>	<u>\$ 589,279</u>

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

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:

	2018		2017	
	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>\$ 2,763,892</u>	<u>\$ 2,114,000</u>	<u>\$ 1,602,323</u>	<u>\$ 1,575,000</u>
Water Utility Operating Fund				
Cash Surplus	<u>\$ 827,727</u>	<u>\$ 48,367</u>	<u>\$ 27,176</u>	

The above fund balance amounts utilized represents the surplus anticipated in the 2019 and 2018 municipal budgets.

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.

As of December 31, 2018, the Township did not have deferred charges to be raised in succeeding budgets. The total deferred charges as of December 31, 2017, the Township's Water Operating Fund had deferred charges related to over expenditures of \$606,123 and a deficit in operations of \$441,852 which was raised in the Township's 2018 Water Utility 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, 2018, based on contractual limits, is \$285,750. 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. PENSION PLANS

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:

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

9. PENSION PLANS (continued)

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, 2018 and 2017:

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	174,904	170,124
Inactive plan members entitled to but not yet receiving benefits	589	650
Active plan members	254,780	254,685
Total	<u>430,273</u>	<u>425,459</u>

Contributing Employers – 1,703

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.

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

Each member contributes a percentage of compensation. Effective October 1, 2011, Chapter 78, P.L. 2011, Chapter 78, P.L. 2011 set the member contribution rate at 6.5% and caused it to increase by 1/7th of 1% each July thereafter. On July 1, 2018, the full rate implemented by this law was achieved, and therefore the full 7.5% will be the required 2018 contribution.

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, 2018 and 2017 the Township's total payroll for all employees was \$15,047,809 and \$15,124,941, respectively. Total PERS covered payroll was \$4,437,817 and \$4,466,366 respectively. 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. State legislation has modified the amount that is contributed by the State. The State's pension contributions is based on an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year, 2018, the State's pension contribution was less than the actuarial determined amount.

Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Township contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contribution requirements were calculated.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

9. PENSION PLANS (continued)

It is assumed that the Local employers will contribute 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) contribution while the State will contribute 50% of its actuarially determined contribution and 100% of its NCGIPF contribution. The 50% contribution rate is the actual total State contribution rate paid in fiscal year ending June 30, 2018 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2018 for all State administered retirement systems.

In accordance with Chapter 98, P.L. 2017, PERS receives 21.02% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

	<u>2018</u>	<u>2017</u>
Total Regular Billing	\$ 593,407	\$ 558,800

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. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible 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, tiers 3 and 4 with 25 years or more of service credit 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 respective tier.

Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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, 2018, the PERS reported a net pension liability of \$19,689,501,539 for its Non-State Employer Member Group. The Township's proportionate share of the net pension liability for the Non-

TOWNSHIP OF SOUTH ORANGE VILLAGE
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9. PENSION PLANS (continued)

State Employer Member Group that is attributable to the Township was \$12,523,067 or 0.0636027627%, which was a decrease of 0.0004528680% from its proportion measured as of June 30, 2017.

The pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018.

At June 30, 2017, the PERS reported a net pension liability of \$23,278,401,588 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's net pension liability for the Non-State Employer Member Group that is attributable to the Township was \$14,911,127 or 0.0640556307%.

At December 31, 2018, the Township's deferred outflows of resources and deferred inflows of resources related to PERS were from the following sources, if GASB #68 was recognized:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 238,817	\$ 64,573
Changes of assumptions	2,063,594	4,004,211
Net difference between projected and actual investment earnings on pension plan investments		117,467
Changes in proportion	862,247	124,724
Township contributions subsequent to the measurement date	632,642	
	<u>\$ 3,797,300</u>	<u>\$ 4,310,975</u>

\$632,642 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:

Year ended December 31,	Amount
2019	\$ 365,770
2020	162,386
2021	(618,447)
2022	(789,671)
2023	(266,355)
Total	<u>\$ (1,146,317)</u>

Actuarial Assumptions- The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2018	June 30, 2017
Inflation	2.25%	2.25%
Salary Increases:		
Through 2026	1.65 - 4.15% Based on age	1.65 - 4.15% Based on age
Thereafter	2.65 - 5.15% Based on age	2.65 - 5.15% Based on age
Investment rate of return	7.00%	7.00%

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9. PENSION PLANS (continued)

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 Conduent modified 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. 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, 2017 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 (7.00% at June 30, 2018) 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 was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 and 2017 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2018</u>		<u>June 30, 2017</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>Expected Real</u>
		<u>Rate of Return</u>		<u>Rate of Return</u>
Cash equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Global diversified credit	5.00%	7.10%	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%	1.00%	6.60%
Debt related private equity	2.00%	10.63%	2.00%	10.63%
Debt related real estate	1.00%	6.61%	1.00%	6.61%
Private real asset	2.50%	11.83%	2.50%	11.83%
Equity related real estate	6.25%	9.23%	6.25%	9.23%
U.S. equity	30.00%	8.19%	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%	11.50%	9.00%
Emerging markets equity	6.50%	11.64%	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%	8.25%	13.08%
Absolute return/risk mitigation	5.00%	5.51%	5.00%	5.51%
Investment grade credit	10.00%	3.78%	10.00%	3.78%
Public high yield	2.50%	6.82%	2.50%	6.82%
	<u>100.00%</u>		<u>100.00%</u>	

TOWNSHIP OF SOUTH ORANGE VILLAGE
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9. PENSION PLANS (continued)

Discount Rate – The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018 and 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 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 50% 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 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 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.

	At 1% Decrease (4.66%)	At Current Discount Rate (5.66%)	At 1% Increase (6.66%)
Township's proportionate share	\$ 15,746,314	\$ 12,523,067	\$ 9,818,969

Plan Fiduciary Net Position – The plan fiduciary net position for PERS including the State of New Jersey at June 30, 2018 and 2017 were \$29,472,374,536 and \$28,464,239,518, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2018 and 2017 was \$22,742,071,972 and \$21,573,965,463, respectively.

Additional information

Collective Local Group balances at June 30, 2018 are as follows:

Collective deferred outflows of resources	\$ 4,684,852,302
Collective deferred inflows of resources	7,646,736,226
Collective net pension liability - Local group	19,689,501,539
Township's Proportion	0.0636027627%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2018 and 2017 was \$1,099,708,157 and \$1,694,305,613, respectively. The average of the expected remaining service lives of all plan members is 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014, respectively.

State Contribution Payable Dates

Prior to July 1, 2017 valuation, it is assumed the State will make pension contributions the June 30th following the valuation date. Effective with the July 1, 2017 valuation Chapter 83 P.L. 2016 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30.

TOWNSHIP OF SOUTH ORANGE VILLAGE
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9. PENSION PLANS (continued)

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2018 and June 30, 2017 are \$1,017,878,064 and \$1,073,054,740, 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, 2018 and 2017:

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	43,755	43,011
Inactive plan members entitled to but not yet receiving benefits	39	47
Active plan members	41,517	40,789
Total	85,311	83,847

Contributing Employers – 585

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 the year ended June 30, 2018, it is assumed that the Local employers will contribute 100% of their actuarially determined contribution and 100% of their Non-Contributory Group Insurance Premium Fund (NCGIPF) contribution while the State will contribute 50% of its actuarially determined contribution and 100% of its NCGIPF contribution. The 50% contribution rate is the actual total State contribution rate paid in fiscal year ending June 30, 2018 with respect to the actuarially determined contribution for the fiscal year ending June 30, 2018 for all State administered retirement systems.

In accordance with Chapter 98, P.L. 2017, PERS receives 1.2% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

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

For the year ended December 2018 and 2017 the Township's total payroll for all employees was \$15,047,809 and \$15,124,941, respectively. Total PFRS covered payroll was \$8,061,689 and \$8,531,797, respectively. Covered payroll refers to pensionable compensation, rather than total compensation, paid by the Township to active employees covered by the Plan.

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NOTES TO FINANCIAL STATEMENTS
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9. PENSION PLANS (continued)

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. Township contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contribution requirements were calculated.

Township payments to PFRS made in the years ending December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Total Regular Billing	\$ 2,104,668	\$ 2,072,959

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, 2018, the PFRS reported a net pension liability of \$15,369,699,278 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 \$35,413,098, or 0.2354853931%, which was an increase of 0.0188410798% from its proportion measured as of June 30, 2017. The pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018.

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NOTES TO FINANCIAL STATEMENTS
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9. PENSION PLANS (continued)

At June 30, 2017, the PFRS reported a net pension liability of \$17,167,260,198 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 \$36,713,364, or 0.2166443134%. The pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017.

At December 31, 2018, the Township's deferred outflows of resources and deferred inflows of resources related to PERS were from the following sources, if GASB No. 68 was recognized:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 360,282	\$ 146,548
Changes of assumptions	3,039,738	9,075,766
Net difference between projected and actual investment earnings on pension plan investments	-	193,742
Changes in proportion	3,250,420	2,510,293
Township contributions subsequent to the measurement date	2,558,559	
	<u>\$ 9,208,999</u>	<u>\$ 11,926,349</u>

\$2,558,559 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:

Year ended December 31,	Amount
2019	\$ (317,336)
2020	(1,001,593)
2021	(2,140,522)
2022	(1,603,534)
2023	(212,924)
Total	<u>\$ (5,275,909)</u>

Actuarial Assumptions- The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2018	June 30, 2017
Inflation	2.25%	3.08%
Salary Increases through 2026	2.10 - 8.98% Based on age	2.10 - 8.98% Based on age
Thereafter	3.10 - 9.98% Based on age	3.10 - 9.98% Based on age
Investment rate of return	7.00%	7.65%

Pre-retirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the

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9. PENSION PLANS (continued)

Conduent modified 2014 projection scale thereafter. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000

Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter.

Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) 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 was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 and 2017 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Target</u>	<u>Long-Term</u> <u>Expected Real</u>	<u>Target</u>	<u>Long-Term</u> <u>Expected Real</u>
	<u>Allocation</u>	<u>Rate of Return</u>	<u>Allocation</u>	<u>Rate of Return</u>
Cash equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Global diversified credit	5.00%	7.10%	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%	1.00%	6.60%
Debt related private equity	2.00%	10.63%	2.00%	10.63%
Debt related real estate	1.00%	6.61%	1.00%	6.61%
Private real asset	2.50%	11.83%	2.50%	11.83%
Equity related real estate	6.25%	9.23%	6.25%	9.23%
U.S. equity	30.00%	8.19%	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%	11.50%	9.00%
Emerging markets equity	6.50%	11.64%	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%	8.25%	13.08%
Absolute return/risk mitigation	5.00%	5.51%	5.00%	5.51%
Investment grade credit	10.00%	3.78%	10.00%	3.78%
Public high yield	2.50%	6.82%	2.50%	6.82%
	<u>100.00%</u>		<u>100.00%</u>	

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9. PENSION PLANS (continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018 and 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% 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 June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2062, 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 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:

	At 1% Decrease (5.51%)	At Current Discount Rate (6.51%)	At 1% Increase (7.51%)
PFRS \$	47,396,037	\$ 35,413,098	\$ 25,529,356

Plan Fiduciary Net Position – The plan fiduciary net position for PFRS at June 30, 2018 and 2017 was \$27,098,556,100 and \$25,847,718,399, respectively.

Additional information

Collective Local Group balances at June 30, 2018 are as follows:

Collective deferred outflows of resources	\$ 1,988,215,695
Collective deferred inflows of resources	4,286,994,294
Collective net pension liability - Local group	15,369,699,278
Township's Proportion	0.2354853931%

Collective pension expense for the Local Group for the measurement period ended June 30, 2018 and 2017 is \$1,270,762,352, and \$1,624,455,951, respectively. The average of the expected remaining service lives of all plan members is 5.73, 5.59, 5.58, 5.53 and 6.17 years for 2018, 2017, 2016, 2015 and 2014, respectively.

State Contribution Payable Dates

Effective with the July 1, 2017 valuation Chapter 83 P.L. 2016 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30.

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9. PENSION PLANS (continued)

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2018 and June 30, 2017 are \$1,017,878,064 and \$1,073,054,740, respectively.

Local contributions expected to be paid the April 1st, following the valuation are discounted by the interest rate used at the valuation date.

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 state is treated as a non-employer 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, 2018 and 2017 for police and fire is 0.2617057208% and 0.2378106333%, respectively. The non-employer contributing entities' contribution for the year ended June 30, 2018 and 2017 was \$284,885 and \$205,628, respectively. The state's proportionate share of net pension liability attributable to the Township as of June 30, 2018 and 2017 was \$4,810,284 and \$4,112,206, respectively.

Defined Contribution Retirement Plan

DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. Prudential is acting on behalf of the NJ Division of Pensions and Benefits as the record keeper and investment funds manager. Chapter 1, P.L. 2010 increased the minimum annual salary required for eligibility in the DCRP. An employee must earn an annual salary of at least \$5,000 to be eligible or to continue participation.

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution 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 DCRP are as follows:

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. The maximum wage limit for 2018 is \$128,400 and is subject to annual adjustment. Members who earn in excess of the annual maximum wage will be enrolled in the DCRP in addition to the PERS. The minimum salary will be increased to \$8,000 for the period ended June 30, 2019. At June 30, 2018 and 2017, the membership in the DCRP, based on the information within the Division's database, was 57,893 and 56,044, respectively.

Contribution Requirement and Benefit Provisions - State and local government employers contribute 3% of the employee's base salary. Active members contribute 5.5% of base salary.

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9. PENSION PLANS (continued)

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 7.20% for PERS, 10% for PFRS and 5.5% for DCRP of employees' base wages.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

State of New Jersey's OPEB Plan

Nonspecial Funding Situation – The State of New Jersey's Total OPEB Liability for nonspecial funding situation was \$9,452,773,649 and \$11,720,375,604 at June 30, 2018 and 2017, respectively.

Components of Net OPEB Liability – The components of the collective net OPEB liability for Local Government Retired Employees Plan, including the State of New Jersey, is as follows:

	June 30, 2017	June 30, 2018
Total OPEB Liability	\$ 20,629,044,656	\$ 15,981,103,227
Plan Fiduciary Net Position	213,255,917	314,485,086
Net OPEB Liability	<u>\$ 20,415,788,739</u>	<u>\$ 15,666,618,141</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.03%	1.97%

Actuarial Assumptions and Other Inputs – The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. These actuarial valuations used the following actuarial assumptions, applied to all periods (2017 and 2018) in the measurement:

Inflation	2.50%
Salary Increases*:	
Through 2026	1.65% - 8.98%
Thereafter	2.65% - 9.98%

*Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

Certain actuarial assumptions used in the July 1, 2016 and July 1, 2017 valuations were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Healthcare Trend 2018 Assumptions – For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drugs benefits, the initial trend rate is 8.00% decreasing to a 5.0% trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate – The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate – The following presents the collective net OPEB liability of the participating employers as of June 30, 2018 and 2017, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease	At Discount Rate	1% Increase
Total Net OPEB Liability - 2017	\$ 24,081,031,440	\$ 20,415,788,739	\$ 17,507,480,418
Total Net OPEB Liability - 2018	18,381,085,096	15,666,618,141	13,498,373,388

Sensitivity of the State's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability as of June 30, 2018 and 2017, respectively, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability - 2017	\$ 24,081,031,440	\$ 20,415,788,739	\$ 17,507,480,418
Total Net OPEB Liability - 2018	18,381,085,096	15,666,618,141	13,498,373,388

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Special Funding Situation – The State of New Jersey's Total OPEB Liability for special funding situation was \$6,213,844,492 and \$8,695,413,135 at June 30, 2018 and 2017, respectively.

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

Therefore, those employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. The State of New Jersey is solely responsible for any contributions into this plan and the Plan financial statements can be obtained from New Jersey's Department of Treasury's website.

The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of the Township of South Orange Village was \$27,990,263 and \$42,485,180 at June 30, 2018 and 2017, respectively. These allocated liabilities represent 0.450450% and 0.488593% of the State's total Nonemployer OPEB Liability for June 30, 2018 and 2017, respectively. The OPEB Expense attributed to the Township was \$847,298 and \$3,040,498 at June 30, 2018 and 2017, respectively.

11. 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.

12. 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, 2018 and 2017, there was \$335,235 and \$351,445, 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.

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

13. TAX APPEALS

There are several tax appeals pending before the State Tax Court of New Jersey requesting a reduction of assessments for the year 2018 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 \$140,196 and \$93,311 as of December 31, 2018 and 2017, respectively, 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.

14. 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, 2018. 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.

15. 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, 2018, 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.

16. AGREEMENT WITH AMERICAN WATER OPERATIONS AND MAINTENANCE, INC.

On or about July 11, 2016, the Township entered into an Operation and Maintenance Agreement with American Water Operations and Maintenance, Inc., a subsidiary of American Water Works Company, Inc. to operate and maintain the Water System within the geographic boundaries of the Township for a term of ten years, expiring on July 10, 2026. The Water System provides partial water production, all storage, and transmission and distribution services to the Township's residents and customers. The services provided for in the agreement include Phase I transition services from the predecessor operator of the Water System and Phase II operating and maintenance services and meter reading and billing services for a term of ten years. The Company was to be compensated for the Phase I

TOWNSHIP OF SOUTH ORANGE VILLAGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

16. AGREEMENT WITH AMERICAN WATER OPERATIONS AND MAINTENANCE, INC. (continued)

transition services by the submission of invoices for an initial payment of \$50,000 due upon execution of the agreement; an additional payment of \$125,000, which was due on or before July 1, 2016, an additional payment of \$125,000 due on or before September 1, 2016, and a final payment of \$45,099, or the outstanding balance as mutually agreed upon by the parties, due on or before December 31, 2016. The monthly fee paid to the Company by the Township for Phase II operating and maintenance services and meter reading and billing services is \$62,158. The monthly fee is intended to cover all costs for all services other than capital improvements and repairs/replacements or for costs specifically identified as being the responsibility of the Township pursuant to the terms of the agreement. Annually, at the beginning of each calendar year, the monthly fee as well as the Schedule of Values, shall be adjusted for inflation based upon a blended rate of the following consumer price indices: 60% CPI – All Urban Consumers – Water and Sewerage Maintenance Series CUUR0000SEHG01 and 40% CPI-U for the Northeast Region. This Agreement may be terminated for cause by the Township or by the Company.

17. 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 two 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, 2018 and 2017

18. 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, 2018, the outstanding balance due from SHU is \$350,000.

19. FEDERAL ARBITRAGE REGULATIONS

The Township is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on 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, 2018, the Township had no estimated arbitrage earnings due to the IRS.

20. 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. During 2018, the Township collected revenue from various tax abatement agreements in the amount of \$2,310,801. If taxes had been billed in full at the 2018 tax rates, \$4,807,268 would have been collected from property owners.

21. SUBSEQUENT EVENTS

The Township has evaluated subsequent events occurring after the balance sheet date through August 26, 2019, which is the date the financial statements were available to be issued.

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APPENDIX C

FORMS OF APPROVING LEGAL OPINIONS OF BOND COUNSEL

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_____, 2020

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

Dear Board Members:

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 \$13,350,000 General Improvement Bonds dated the date hereof (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 June 8, 2020 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 valid and legally binding general obligations of the Village, and the Village has the power and is obligated to levy *ad valorem* taxes 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.

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 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 alternative minimum tax. 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,

_____, 2020

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

Dear Board Members:

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 \$10,307,000 Notes, consisting of the \$6,807,000 General Improvement Bond Anticipation Note and the \$3,500,000 Water Utility Bond Anticipation Note, dated the date hereof (the "Notes"). 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 Notes are issued pursuant to the Local Bond Law of the State of New Jersey and the bond ordinances of the Village listed in the Certificate of Determination and Award dated the date hereof, each in all respects duly approved and published as required by law. The Notes are temporary obligations issued in anticipation of the issuance of bonds.

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 Notes are valid and legally binding general obligations of the Village, payable ultimately, if not paid from other sources, from *ad valorem* taxes that may be levied upon all the taxable real property within the Village.

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 Notes in order to preserve the tax-exempt status of the Notes 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 Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. 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 Notes 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 Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Notes. Further, in our opinion, based upon existing law, interest on the Notes 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