

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 1, 2026

NEW ISSUE

**RATING: S&P: “SP-1+”
(See “RATING” herein)**

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Village (as defined herein) with certain tax covenants described herein, under existing law, interest on the Notes (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 Notes is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. 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. See “TAX MATTERS” herein.

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

**\$20,391,000 BOND ANTICIPATION NOTES
(Book-Entry-Only) (Non-Callable)**

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

**Dated: Date of Delivery
Due: June 22, 2027**

The \$20,391,000 Bond Anticipation Notes (the “Notes”) 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 Notes and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, Brooklyn, New York (“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 “BOOK-ENTRY-ONLY SYSTEM” herein. The principal of and interest on the Notes will be paid on the maturity date to DTC by the Village or its designated paying agent. Interest on the Notes shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months. The Notes are not subject to redemption prior to their stated maturity date.

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 property within the Village for the payment of the principal of and interest on the Notes 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 Notes will be offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Certain legal matters will be passed upon for the Village by the Village Attorney, Steven C. Rother, Esq., of Post Polak P.A., Roseland, New Jersey. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Village in connection with the issuance of the Notes. It is expected that the Notes will be available for delivery through DTC in Brooklyn, New York, on or about June 23, 2026.

BIDS FOR THE NOTES WILL BE RECEIVED IN ACCORDANCE WITH THE NOTICE OF SALE UNTIL 11:00 A.M. ON TUESDAY, JUNE 9, 2026. FOR MORE DETAILS ON HOW TO BID, VIEW THE NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.

*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 FactSet Research Systems Inc. The CUSIP number listed above is being provided solely for the convenience of Note holders only at the time of issuance of the Notes, and the Village does not make any representation with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number for the Notes is subject to being changed after the issuance of the Notes as a result of various subsequent actions, including, but not limited to, the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to the Notes.

This is a Preliminary Official Statement complete with the exception of the specific information permitted to be omitted by Rule 15(c)2-12 of the Securities and Exchange Commission. The Village has authorized the distribution of this Preliminary Official Statement to prospective purchasers and others. In accordance with Rule 15(c)2-12, this Preliminary Official Statement is deemed final. Upon the sale of the Notes described herein, the Village will deliver a final Official Statement within the earlier of seven business days following such sale or in order to accompany the purchase's confirmations requesting payment for the Notes.

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

VILLAGE COUNCIL

Sheena C. Collum, Mayor
Patricia Canning
Jennifer Greenberg
Bill Haskins
Summer Jones
Olivia Lewis-Chang
Hannah Zollman

VILLAGE ADMINISTRATOR

Julie Doran

CHIEF FINANCIAL OFFICER

Christopher Battaglia

VILLAGE CLERK

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Roseland, New Jersey

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BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors,
a division of First Security Municipal Advisors, Inc.
Hamilton, 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 Notes other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing.

The information contained herein has been provided by the Village and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Village. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder, under any circumstances, shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Village during normal business hours.

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

This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be used, in whole or in part, for any other purpose. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

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 NOTES IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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OFFICIAL STATEMENT
Relating to
SOUTH ORANGE VILLAGE,
IN THE COUNTY OF ESSEX, NEW JERSEY
\$20,391,000 BOND ANTICIPATION NOTES

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by South Orange Village (the “Village”), in the County of Essex (the “County”), New Jersey (the “State”), in connection with the sale and issuance of its \$20,391,000 Bond Anticipation Notes (the “Notes”). 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 Notes described herein.

This Official Statement contains specific information relating to the Notes 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.

The presentation of information is intended to show recent historic information and, but only to the extent specifically provided herein, certain projections into the immediate future and is not necessarily indicative of future or continuing trends in the financial position of the Village.

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

THE NOTES

General Description

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 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, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, Brooklyn, New York (“DTC”), which will act as securities depository. 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. The Notes are issuable as fully registered book-entry obligations. 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 Notes are not subject to redemption prior to their stated maturity date.

BOOK-ENTRY-ONLY SYSTEM*

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Notes, payment of principal and interest and other payments on the Notes to Direct and Indirect Participants (each as defined below) or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Notes 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 Notes. The Notes will be issued as a fully registered security 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 Note certificate will be issued for the Notes in the aggregate principal amount 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes 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 the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of

* Source: The Depository Trust Company.

the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Notes 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 Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 Notes 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, 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, 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 SECTION "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 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 NOTES; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY CEDE & CO., AS NOMINEE FOR DTC AND THE REGISTERED OWNER OF THE NOTES. 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 NOTES, AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF THE NOTES (OTHER THAN UNDER THE CAPTIONS “TAX MATTERS” AND “SECONDARY MARKET DISCLOSURE”) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

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 Notes 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

The Notes 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”) and the bond ordinances adopted by the Village referred to in the chart below. The bond ordinances authorizing the Notes were published in full or in summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides that, after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the Village. Such estoppel period for each of the bond ordinances has concluded as of the date of this Official Statement.

Proceeds from the sale and issuance of the Notes will be used to currently refund the Village’s \$21,772,000 General Improvement Bond Anticipation Note, dated and issued on June 25, 2025 and maturing on June 24, 2026 (together with \$1,381,000 in principal reduction payments from the 2026 budget).

Bond Ordinance Number	Description of Improvement and Date of Adoption of Bond Ordinance	Refunding Amount	Principal Reduction Amounts	Aggregate Amount of Notes to be Issued
2019-02	Various capital improvements, finally adopted February 11, 2019.	\$8,337,000	\$1,381,000	\$6,956,000

Bond Ordinance Number	Description of Improvement and Date of Adoption of Bond Ordinance	Refunding Amount	Principal Reduction Amounts	Aggregate Amount of Notes to be Issued
2022-05	Renovations to Village library facilities, finally adopted February 28, 2022.	6,800,000	0	6,800,000
2022-14	Various capital improvements, finally adopted May 23, 2022.	1,975,000	0	1,975,000
2023-05	Various capital improvements, finally adopted April 10, 2023.	1,000,000	0	1,000,000
2023-18	Restoration of South Orange community pool, finally adopted December 28, 2023.	1,900,000	0	1,900,000
2024-08	Various capital improvements, finally adopted April 8, 2024.	<u>1,760,000</u>	<u>0</u>	<u>1,760,000</u>
	Total:	\$21,772,000	\$1,381,000	\$20,391,000

SECURITY AND SOURCE OF PAYMENT

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 property within the Village for the payment of the principal of and interest on the Notes without limitation as to rate or amount.

RESILIENCY PLANNING

Weather Related Matters

The State is naturally susceptible to the effects of extreme weather events and natural disasters, including floods and hurricanes, which could result in negative economic impacts on communities. Such effects can be exacerbated by a longer-term shift in the climate over several decades (commonly referred to as “climate change”), including increasing global temperatures and rising sea levels. The occurrence of such extreme weather events could damage local infrastructure that provides essential services to the Village as well as resulting in economic impacts such as loss of *ad valorem* tax revenue, interruption of municipal services and escalated recovery costs. The Village has an Office of Emergency Management and also engages with the County of Essex Office of Emergency Management to plan for and respond to emergencies, including weather related emergencies. No assurance can be given as to whether future extreme weather events will occur that could materially adversely affect the financial condition of the Village.

Cybersecurity

The Village relies upon a large and complex technology environment to conduct its various operations. As a result, the Village faces certain cybersecurity threats at various times, including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems. To mitigate the risks resulting from cybersecurity breaches, the Village has insurance through the

Joint Insurance Fund (the “JIF”). The JIF outsources contracts to provide insurance and ongoing training for safe practices.

MARKET PROTECTION

The Village does not anticipate issuing any bonds within the next ninety (90) days. The Village may issue additional bond anticipation notes, as necessary, during the remainder of calendar year 2026.

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 average for the last three years of the equalized value of all taxable property and improvements and certain Class II railroad property within the boundaries of the Village, as annually determined by the State Director of Taxation, is shown in Appendix “A”. 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, drainage map preparation for flood control purposes and contractually required severance liabilities, 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.

Under legislation enacted to address the COVID-19 emergency, P.L. 2020, c. 60 (A4175), a local unit may adopt an emergency appropriation to fund certain deficits resulting from COVID-19 with approval of the Director and may either fund it as a deferred charge or issue special emergency notes to fund it payable by 1/5 each year beginning in the year after the year in which the deferred charge appears in the financial statements so it is paid off no later than the last day of the sixth fiscal year following the end of the fiscal year in which the application is made. If there is a showing of fiscal distress, that may be extended to ten years. The Director may also promulgate guidelines modifying the standard for anticipated revenues when the amount realized in cash from the same source during the next preceding fiscal year experienced reductions due to COVID-19. Also, local units may be able to issue refunding bonds with Local Finance Board approval to repay a Federal Emergency Management Agency Community Disaster Loan for which it executed a promissory note in 2013.

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 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 "CAP" 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 year's tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, 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 property within the Village to pay debt service on its bonds or notes, including the Notes.

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

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value.

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.

By State statute, tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500, and if a delinquency (including interest) is in excess of \$10,000 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. A table detailing delinquent taxes and tax title liens is included in Appendix A.

Tax Appeals

The State statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 of 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, 2025 for the Village is on file with the Village Clerk and is available for review during business hours.

TAX MATTERS

Exclusion of Interest on the Notes 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 Notes in order to assure that interest on the Notes 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 Notes to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Notes. The Village will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Notes, as to various tax requirements. The Village has covenanted to comply with the provisions of the Code applicable to the Notes and has covenanted not to take any action or fail to take any action that would cause interest on the Notes to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Village with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Notes from gross income for federal income tax purposes and with respect to the treatment of interest on the Notes 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 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; however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code.

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 Notes 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 Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Village or the owners of the Notes 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 Notes, under current IRS procedures, the IRS will treat the Village as the taxpayer and the beneficial owners of the Notes 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 Notes 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 Notes.

Payments of interest on tax-exempt obligations, including the Notes, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of the Notes 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 Premium

The Notes may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Notes to a purchaser (other than a purchaser who holds such 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 note premium, which is not deductible from gross income for federal income tax purposes. Amortizable note premium, as it amortizes, will reduce the owner's tax cost of the 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 Notes. Accordingly, an owner of the Notes may have taxable gain from the disposition of the Notes, even though the Notes are sold, or disposed of, for a price equal to the owner's original cost of acquiring the Notes. Premium amortizes over the term of the Notes under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Notes should consult their own tax advisors with respect to the calculation of the amount of note 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 Notes.

Additional Federal Income Tax Consequences of Holding the Notes

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

Bank-Qualification

The Notes 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, which are eligible to be designated and which 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.

Changes in Federal Tax Law Regarding the Notes

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 Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Notes will not have an adverse effect on the tax status of interest on the Notes or the market value or marketability of the Notes. 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 Notes 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 Notes 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 NOTES ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL DECISIONS AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE NOTES, 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 NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

FINANCIAL STATEMENTS

Appendix “B” contains the audited financial statements of the Village for the fiscal years ended December 31, 2025 and 2024. The audited financial statements are 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 – Excerpts From Financial Statements 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 Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Notes 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. Moreover, 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.

SECONDARY MARKET DISCLOSURE

Solely for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the “Rule”), and provided that the Notes are not exempt from the Rule and provided that the Notes are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Notes remain outstanding (unless the Notes have been wholly defeased), the Village shall provide for the benefit of the holders of the Notes and the beneficial owners thereof, in a timely manner not in excess of ten business days after the occurrence of the event, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) dataport, notice of any of the following events with respect to the Notes:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (7) Modifications to the rights of holders of the Notes, if material;
- (8) Note calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Notes, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Village;
- (13) The consummation of a merger, consolidation or acquisition involving the Village or the sale of all or substantially all of the assets of the Village, 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 Village, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Village, any of which affect holders of the Notes, if material; and

- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Village, if any such event reflects financial difficulties.

The term “Financial Obligation” as used in subparagraphs (15) and (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.

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

The Chief Financial Officer shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Village prior to their offering. Such officer is authorized to enter into additional written contracts or undertakings to implement the Rule and to amend such contracts or undertakings or the undertakings set forth herein, provided such amendment is, in the opinion of 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 this undertaking, the Village shall not be liable for monetary damages, remedy being specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

In accordance with the Rule and prior secondary market disclosure undertakings, within the five years immediately preceding the date of this Official Statement, the Village failed to timely file an event notice relating to the incurrence of a financial obligation. Additionally, the Village failed to timely file the required late filing notice in connection with the item referenced above. Such information has since been filed with EMMA. The Village appointed Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, to serve as continuing disclosure agent to assist in the filing of certain information on EMMA as required under its prior secondary market disclosure undertakings.

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 creditors’ 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, issuance, sale and delivery of the Notes are subject to the approval of Bond Counsel to the Village, whose approving legal opinion will be delivered with the Notes substantially in the form as set forth in Appendix "C". Certain legal matters will be passed on for the Village by the Village Attorney.

UNDERWRITING

The Notes have been purchased from the Village at a public sale by _____ (the "Underwriter") at a price of \$ _____, which represents the par amount of the Notes, plus original issue premium in the amount of \$ _____ less underwriter's discount in the amount of \$ _____. The Underwriter has purchased the Notes in accordance with the Notice of Sale. The Underwriter intends to offer the Notes to the public initially at the offering yield set forth on the cover page of this Official Statement, which may subsequently change without any requirement or prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Notes to the public. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) at a yield higher than the public offering yield set forth on the cover page, and such yield may be changed, from time to time, by the Underwriter without prior notice.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services, LLC (the "Rating Agency"), has assigned a rating of "SP-1+" to the Notes based upon the creditworthiness of the Village.

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

MUNICIPAL ADVISOR

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the Village in connection with the issuance of the Notes (the "Municipal Advisor") and has assisted in matters related to the planning, structuring and terms of the Notes. The

Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and the Appendices hereto. The Municipal Advisor is an Independent Registered Municipal Advisor pursuant to the Dodd-Frank Act and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

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

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

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, South Orange Village, 76 South Orange Avenue, South Orange, New Jersey 07079, telephone (973) 378-7715, or to its Municipal Advisor, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 2000 Waterview Drive, Suite 101, Hamilton, New Jersey 08691, telephone (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Village, the Underwriter and any holders of the Notes. 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 Notes 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.

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

By: _____
Christopher Battaglia
Chief Financial Officer

Dated: June __, 2026

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APPENDIX A

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT 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 regarding South Orange Village (the “Village”), in the County of Essex (the “County”), State of New Jersey (the “State”).

General Information

Located 15 miles southwest of New York City, the Village is a charming and historic residential community of approximately 19,000 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, 3,500 graduate students and 1,000 employees.

Form of Government

On March 11, 2024, the governing body of the Township of South Orange Village adopted an ordinance to revise its charter where "township" was dropped from the municipality's name and is now designated as “South Orange Village”. The governing body now consists of a Mayor and six members of the Village Council, all of whom are elected by the residents of the community (rather than board of trustees and president of the board of trustees.) Municipal elections were shifted from May to November (which will shift term-end dates for all current elected officials from May to December 31). Council members are elected for four-year staggered terms - every two years, three council members run for office. The Mayor is elected for a four-year term as well. These changes took full effect on April 25, 2024, after 45 days passed since the adoption of the ordinance.

The Village Council meets the second Monday of the month 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 Village Council meetings allows for the opportunity for residents to speak on proposed ordinances, resolutions, or other issues of concern.

Municipal Operations

Municipal services are provided by approximately 115 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

¹ Source: The Village, unless otherwise indicated.

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 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

Fire – In 2022, resolutions were passed by the South Orange Board of Trustees and the Maplewood Township Committee to form a regional fire department, the South Essex Fire Department.

Police – The Village is served by a highly trained and dedicated police force, consisting of approximately 50 officers. The police department has some of the highest response times in the State and is well equipped with the most up-to-date equipment. In addition, the department goes 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 (5) movie theaters, many significant mixed-use facilities are being built 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. Additional completed projects include: (i) Taylor and Vose, an award-winning mixed-use project featuring 110 units, 11,000 square feet of retail, and 10,000 SF of Class A Office Space; (ii) Fourth and Valley, 106 residential units, live/work spaces on the ground floor and 9,000 square feet of retail; and (iii) Mosaic at South Orange, a mixed-use project with 42 residential units and artist incubator space on the ground floor.

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

On November 5, 2024, the sale of the Village’s water distribution system to New Jersey American Water Company (“NJAW”) was approved by voters in the Village and closed on October 7, 2025. 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 residents. NJAW agreed to invest \$50 million within 10 years for upgrades, including replacing aging water mains, fire hydrants, and removing all lead and galvanized steel service lines. The purchase price of the water system was \$19.7 million. The Village utilized the sale proceeds to retire the outstanding debt of the system, along with certain general improvement bonds.

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 are 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 (6) elementary schools, two (2) middle schools, and one (1) 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, 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:

- Rutgers New Jersey Medical School (Newark)
- Essex County College (Newark)
- Montclair State University (Montclair)
- Bloomfield College (Bloomfield)
- Caldwell University (Caldwell)
- Kean University (Union)
- Fairleigh Dickinson 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 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 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>				
2025	9,428	9,009	419	4.4%
2024	9,436	9,073	363	3.8%
2023	9,408	9,085	323	3.4%
2022	9,206	8,946	260	2.8%
2021	8,989	8,554	435	4.8%
<u>County</u>				
2025	428,462	401,347	27,115	6.3%
2024	428,258	404,200	24,058	5.6%
2023	424,186	402,322	21,864	5.2%
2022	413,426	394,838	18,588	4.5%
2021	409,854	377,214	32,640	8.0%
<u>State</u>				
2025	4,905,633	4,648,499	257,134	5.2%
2024	4,899,384	4,672,089	227,295	4.6%
2023	4,879,285	4,668,296	210,989	4.3%
2022	4,771,781	4,586,675	185,106	3.9%
2021	4,674,518	4,361,147	313,371	6.7%

Source: New Jersey Department of Labor, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2024)

	<u>Village</u>	<u>County</u>	<u>State</u>	<u>National</u>
Median Household Income	\$196,481	\$80,789	\$103,556	\$80,734
Median Family Income	239,849	106,938	127,025	99,999
Per Capita Income	84,973	49,449	54,253	44,673

Source: US Bureau of the Census, 2024 American Community Survey 5-Year Estimates

Population

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

<u>Year</u>	<u>Village</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2024 est.	18,736	1.4%	881,527	2.1%	9,500,851	2.3%
2020	18,484	14.1%	863,728	10.2%	9,288,994	5.7%
2010	16,198	-4.5%	783,969	-1.2%	8,791,894	4.5%
2000	16,964	3.5%	793,633	2.0%	8,414,350	8.9%
1990	16,390	3.3%	778,206	-8.6%	7,730,188	5.0%

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>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
South Orange Property, LLC	\$17,674,300	0.42%
Southwoods 10 LLC/ PARISI	16,093,700	0.38%
Gaslight Commons	14,000,000	0.33%
Concord Apartments	11,703,600	0.27%
Village Square LLC	10,826,600	0.25%
Weill.M.TR/Lease Admin	10,530,600	0.25%
320 Valley Street LLC	9,350,000	0.22%
Vose Manor Associates LLC/Eichler Rlty	9,172,800	0.22%
South Orange Rose Apts. LLC	8,191,400	0.19%
113-117 Vose Ave LLC/Goldberg Rlty	<u>7,602,700</u>	<u>0.18%</u>
Total	<u>\$115,145,700</u>	<u>2.70%</u>

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>
2025	\$110,104,980	\$108,965,975	98.97%
2024	107,123,000	106,062,332	99.01%
2023	103,295,614	102,267,080	99.00%
2022	99,585,710	98,643,627	99.05%
2021	95,934,415	95,153,412	99.19%

Source: Annual Audit Reports and/or Annual Financial Statements (unaudited)

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>Delinquent % of Tax Levy</u>
2025	\$12,145	\$1,162,733	\$1,174,878	1.07%
2024	10,817	992,945	1,003,762	0.94%
2023	9,794	1,045,681	1,055,475	1.02%
2022	9,106	897,548	906,655	0.91%
2021	71,589	730,543	802,131	0.84%

Source: Annual Audit Reports and/or Annual Financial Statements (unaudited)

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Property Acquired For Taxes</u>
2025	\$417,254
2024	417,254
2023	417,254
2022	417,254
2021	417,254

Source: Annual Audit Reports and/or Annual Financial Statements (unaudited)

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.

<u>Year</u>	<u>General Municipal</u>	<u>Open Space Municipal</u>	<u>Library Municipal</u>	<u>Regional School</u>	<u>Total County</u>	<u>Total</u>
2025	\$0.688	\$0.010	\$0.035	\$1.481	\$0.370	\$2.584
2024 R	0.662	0.010	0.032	1.434	0.371	2.509
2023	0.951	0.010	0.043	2.076	0.557	3.637
2022	0.900	0.010	0.040	2.009	0.548	3.507
2021	0.868	0.010	0.037	1.940	0.530	3.385

R: Revaluation

Source: Abstract of Ratables, Table of Equalized Valuations & Municipal Tax Assessor

Valuation of Property

<u>Year</u>	<u>Assessed Value of Real Property</u>	<u>True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Public Utility Equip.</u>	<u>Equalized Valuation</u>
2025	\$4,252,703,000	\$4,759,600,448	89.35%	\$5,312,100	\$4,764,912,548
2024 R	4,263,297,100	4,454,390,450	95.71%	5,598,500	4,459,988,950
2023	2,833,041,100	4,108,238,254	68.96%	4,328,100	4,112,566,354
2022	2,832,274,500	3,673,031,384	77.11%	4,514,992	3,677,546,376
2021	2,828,210,300	3,370,126,668	83.92%	4,934,183	3,375,060,851

R: Revaluation

Source: Abstract of Ratables, Table of Equalized Valuations & Municipal Tax Assessor

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>
2025	\$40,151,000	\$3,827,475,500	\$0	\$231,502,300	\$2,535,500	\$151,038,700	\$4,252,703,000
2024 R	41,205,300	3,830,765,100	0	237,363,700	2,535,500	151,427,500	4,263,297,100
2023	21,909,500	2,552,714,800	0	174,664,200	3,762,600	79,990,000	2,833,041,100
2022	23,083,800	2,546,553,200	0	179,691,000	4,089,400	78,857,100	2,832,274,500
2021	23,441,700	2,546,177,600	0	175,644,500	4,089,400	78,857,100	2,828,210,300

R: Revaluation

Source: Abstract of Ratables, Table of Equalized Valuations & Municipal Tax Assessor

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

	Adopted	Adopted	Adopted	Adopted	Adopted
<u>REVENUE</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Fund Balance Utilized	\$2,500,000	\$2,318,000	\$3,056,000	\$3,943,000	\$4,468,000
Miscellaneous Revenues	11,015,874	11,499,916	11,365,497	12,218,255	13,040,851
Municipal Grants	99,017	544,329	339,659	372,514	68,259
Receipts from Delinquent Taxes	750,000	750,000	750,000	750,000	750,000
Amount to be Raised by Taxation	<u>26,663,908</u>	<u>28,199,985</u>	<u>29,609,655</u>	<u>30,793,050</u>	<u>31,869,908</u>
Total Revenue:	<u>\$41,028,799</u>	<u>\$43,312,230</u>	<u>\$45,120,812</u>	<u>\$48,076,820</u>	<u>\$50,197,018</u>
<u>APPROPRIATIONS</u>					
General Purpose (Inside CAP)	\$29,861,270	\$31,397,157	\$26,738,241	\$26,717,993	\$28,327,780
Operations (Outside CAP)	2,954,422	2,942,967	8,864,384	10,960,736	11,419,302
Municipal Grants	99,017	544,329	339,659	372,514	68,259
Capital Improvement Fund	150,000	150,000	200,000	310,000	433,600
Municipal Debt Service	6,314,090	6,754,290	7,430,040	8,142,090	8,349,590
Deferred Charges	250,000	73,487	73,487	73,487	73,487
Reserve for Uncollected Taxes	<u>1,400,000</u>	<u>1,450,000</u>	<u>1,475,000</u>	<u>1,500,000</u>	<u>1,525,000</u>
Total Appropriations:	<u>\$41,028,799</u>	<u>\$43,312,230</u>	<u>\$45,120,812</u>	<u>\$48,076,820</u>	<u>\$50,197,018</u>

Source: Municipal Introduced and/or Adopted Budgets

Fund Balance

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

<u>Fund Balance - Current Fund</u>		
<u>Year</u>	<u>Fund Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
2025	\$13,146,082	\$4,468,000
2024	12,355,930	3,943,000
2023	8,314,325	3,056,000
2022	6,236,141	2,318,000
2021	5,061,571	2,500,000

Source: Annual Audit Reports and/or Annual Financial Statements (unaudited)

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. The Village's water system was sold to NJAW on October 7, 2025 and the remaining assets of the Water Utility Operating Fund will be transferred to the Current Fund on January 1, 2027.

<u>Fund Balance - Water Utility</u>		
<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2025	\$1,882,637	\$200,000
2024	1,221,097	656,314
2023	1,218,641	299,451
2022	1,599,165	223,518
2021	1,113,994	139,404

Source: Annual Audit Reports and/or Annual Financial Statements (unaudited)

Village Indebtedness as of December 31, 2025

General Purpose Debt	
Serial/Term Bonds	\$33,315,000
Bond Anticipation Notes	21,772,000
Bonds and Notes Authorized but Not Issued	27,772,432
Other Bonds, Notes and Loans	249,697
Total:	<u>\$83,109,129</u>

Local/Regional School District Debt	
Serial/Term Bonds	\$75,889,157
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$75,889,157</u>

Self-Liquidating Debt	
Serial/Term Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	4,583,547
Other Bonds, Notes and Loans	0
Total:	<u>\$4,583,547</u>

TOTAL GROSS DEBT \$163,581,833

Less: Statutory Deductions	
General Purpose Debt	\$500,000
Local/Regional School District Debt	75,889,157
Self-Liquidating Debt	4,583,547
Total:	<u>\$80,972,704</u>

TOTAL NET DEBT \$82,609,129

Source: Annual Audit Reports and/or Annual Debt Statements (unaudited)

Overlapping Debt (as of December 31, 2025)

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Village Percentage</u>	<u>Village Share*</u>
Local School District	\$0	100.0%	\$0
Regional School District	177,330,000	42.8%	75,889,157
Essex County	947,474,874	4.4%	41,222,491
			<hr/>
Net Indirect Debt			\$117,111,648
Net Direct Debt			82,609,129
Total Net Direct and Indirect Debt			<u>\$199,720,777</u>

**Percentage of County debt is based on the Net Valuation on Which County Taxes are Apportioned. County debt reflects total Gross Debt without statutory deductions.*

Source: Annual Debt Statements (unaudited)

Debt Limit

DEBT LIMIT AND BORROWING CAPACITY

Average Equalized Valuation Basis (2023, 2024, 2025)	\$4,440,743,051
Permitted Debt Limitation (3.50%)	155,426,007
Less: Net Debt	82,609,129
Remaining Borrowing Power	<u>\$72,816,877</u>
Percentage of Net Debt to Average Equalized Valuation	1.860%
Gross Debt Per Capita based on 2020 population of 18,484	\$8,850
Net Debt Per Capita based on 2020 population of 18,484	\$4,469

Source: Annual Audit Reports and/or Annual Debt Statements (unaudited)

Litigation

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

APPENDIX B

**EXCERPTS FROM FINANCIAL STATEMENTS OF SOUTH ORANGE VILLAGE, IN THE
COUNTY OF ESSEX, NEW JERSEY**

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**SOUTH
ORANGE
VILLAGE**

ESSEX COUNTY, NEW JERSEY



WITH NATURE



ART



HISTORY



DOWNTOWN

REPORT OF AUDIT

DECEMBER 31, 2025 AND 2024

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Independent Auditors' Report

**The Honorable Mayor and Members
of the Village Council
South Orange Village
South Orange, New Jersey**

Report on the Audit of the Regulatory Basis Financial Statements

Opinions on Regulatory Basis Financial Statements

We have audited the regulatory basis financial statements of the various funds and the governmental fixed assets of South Orange Village, New Jersey ("Village"), which comprise the balance sheets as of December 31, 2025 and 2024, 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, 2025, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis financial statements present fairly, in all material respects, the regulatory basis balance sheets of the Village as of December 31, 2025 and 2024, and the regulatory basis revenues, expenditures, and changes in fund balances for the years then ended, the statement of changes in fund balance, the statements of revenue and statements of expenditures for the year ended December 31, 2025 and the related notes to the financial statements, in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("Division") described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2025 and 2024, or its revenues, expenditures and changes in fund balance thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the requirements prescribed by the Division. Our responsibilities under those standards and requirements are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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**The Honorable Mayor and Members
of the Village Council
South Orange Village
South Orange, New Jersey**

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of the Division (regulatory basis), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of the Division. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

**The Honorable Mayor and Members
of the Village Council
South Orange Village
South Orange, New Jersey**

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

PKF O'Connor Davies, LLP

Cranford, New Jersey
May 19, 2026

Robert E. Provost

Robert E. Provost, CPA
Registered Municipal Accountant, No. 582

SOUTH ORANGE VILLAGE
CURRENT AND FEDERAL AND STATE GRANT FUNDS

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024

A
Sheet #1

<u>ASSETS AND DEFERRED CHARGES</u>	<u>2025</u>	<u>2024</u>
Current Fund:		
Cash	\$ 18,974,145.44	\$ 18,069,411.41
Change Funds	225.00	225.00
Due from State of New Jersey:		
Ch. 129, P.L. 1976	15,335.07	15,610.34
	<u>18,989,705.51</u>	<u>18,085,246.75</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Taxes Receivable	1,162,733.25	992,945.11
Tax Title Liens	12,144.63	10,817.36
Other Accounts Receivable	120.00	70.00
Property Acquired for Taxes at Assessed Valuation	417,253.87	417,253.87
Special Improvement District Tax Receivable	37,420.38	3,615.38
Revenue Accounts Receivable	190,694.56	135,914.61
Interfunds	3,146.35	2,310.47
	<u>1,823,513.04</u>	<u>1,562,926.80</u>
Deferred Charges - Special Emergency	<u>146,974.00</u>	<u>220,461.00</u>
	<u>20,960,192.55</u>	<u>19,868,634.55</u>
Federal and State Grant Fund:		
Cash	1,500,648.08	1,557,359.83
Federal and State Grants Receivable	3,576,521.40	3,717,605.76
	<u>5,077,169.48</u>	<u>5,274,965.59</u>
	<u>\$ 26,037,362.03</u>	<u>\$ 25,143,600.14</u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
CURRENT AND FEDERAL AND STATE GRANT FUNDS

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024

A
Sheet #2

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2025</u>	<u>2024</u>
Current Fund:		
Appropriation Reserves:		
Encumbered	\$ 682,608.48	\$ 612,500.47
Unencumbered	2,244,262.89	2,895,517.77
Tax Overpayments	47,922.45	34,031.38
Sewer Rent Overpayments	4,411.69	4,411.69
Special Improvement District Overpayments	1,275.32	32.32
County PILOT Taxes Payable	413,349.23	416,442.58
Accounts Payable	98,231.65	
PILOT Overpayments	14,160.27	1,994.27
Regional School Taxes Payable	33,820.50	33,820.50
County Taxes Payable	14,153.83	5,937.98
Due to State - DCA Fees	21,206.00	23,856.00
Interfunds	467,902.18	40,578.03
Reserve for Tax Appeals	255,457.78	255,457.78
Reserve for Hurricane Ida	1,142,600.16	1,142,600.16
Reserve for Revaluation	7,348.70	18,371.75
Reserve for Sale of Assets - Library	5,116.50	5,116.50
Prepaid Taxes	536,769.86	459,108.28
	<u>5,990,597.49</u>	<u>5,949,777.46</u>
Reserve for Receivables and Other Assets	1,823,513.04	1,562,926.80
Fund Balance	13,146,082.02	12,355,930.29
	<u>20,960,192.55</u>	<u>19,868,634.55</u>
Federal and State Grant Fund:		
Appropriated Reserves	5,019,207.12	4,902,451.19
Unappropriated Reserves	57,962.36	372,514.40
	<u>5,077,169.48</u>	<u>5,274,965.59</u>
	<u>\$ 26,037,362.03</u>	<u>\$ 25,143,600.14</u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
CURRENT FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2025 AND 2024

A-1

	2025	2024
<u>Revenue and Other Income</u>		
Fund Balance Utilized	\$ 3,943,000.00	\$ 3,056,000.00
Miscellaneous Revenue Anticipated	14,215,926.84	14,634,533.49
Receipts from Delinquent Taxes	830,675.25	1,004,448.37
Receipts from Current Taxes	108,965,974.90	106,062,332.01
Nonbudget Revenue	878,511.88	955,441.28
Other Credits to Income:		
Interfunds Returned	2,310.47	
Appropriation Reserves Lapsed	2,142,429.50	3,274,905.98
Voided Checks		54,681.99
	<u>130,978,828.84</u>	<u>129,042,343.12</u>
<u>Expenditures and Other Charges</u>		
Budget and Emergency Appropriations	46,978,535.21	44,383,881.16
Prior Year Senior Citizen Deduction Disallowed	250.00	500.00
Interfunds Advanced	1,110.10	1,160.17
Local Open Space Tax	426,184.09	428,321.61
County Taxes	15,729,514.93	15,801,053.54
Due County For Payment In Lieu Of Taxes		94,839.92
Regional District School Tax	63,075,025.00	61,234,981.00
Due State For Marriage Licenses	1,700.00	
Special Improvement District Receivable Adjustment	32,763.28	
Refund of Prior Year Revenue	594.50	
	<u>126,245,677.11</u>	<u>121,944,737.40</u>
Total Expenditures and Other Charges		
Excess of Revenue	<u>4,733,151.73</u>	<u>7,097,605.72</u>
Statutory Excess to Fund Balance	4,733,151.73	7,097,605.72
<u>Fund Balance</u>		
Balance, Beginning of Year	<u>12,355,930.29</u>	<u>8,314,324.57</u>
	17,089,082.02	15,411,930.29
Decreased by:		
Utilized as Anticipated Revenue	<u>3,943,000.00</u>	<u>3,056,000.00</u>
Balance, End of Year	<u>\$ 13,146,082.02</u>	<u>\$ 12,355,930.29</u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2025

A-2
Sheet #1

	Anticipated Budget	N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Appropriated	\$ 3,943,000.00		\$ 3,943,000.00	
<u>Miscellaneous Revenues:</u>				
Alcoholic Beverage Licenses	30,600.00		33,260.00	\$ 2,660.00
Other Licenses	19,500.00		22,485.00	2,985.00
Fees and Permits	107,900.00		149,086.00	41,186.00
Municipal Court Fines and Costs	550,000.00		731,326.98	181,326.98
Interest and Cost on Taxes	215,000.00		240,476.24	25,476.24
Recreation Receipts	1,400,000.00		2,024,243.80	624,243.80
Sewer User Fees	3,008,100.00		2,961,482.92	(46,617.08)
Cable TV Franchise Fee	168,106.22		168,106.22	
Payment in Lieu of Taxes	3,669,000.00		3,911,675.13	242,675.13
Cell Tower Rental Fee	98,800.00		105,692.49	6,892.49
Energy Receipts Tax	1,474,233.00		1,474,232.86	(0.14)
Uniform Construction Code Fees	950,000.00		1,109,721.00	159,721.00
Uniform Fire Safety Act	38,800.00		32,298.55	(6,501.45)
General Capital Fund Balance	169,966.22		169,966.22	
Open Space - Payment of Debt	90,000.00		90,000.00	
Seton Hall Debt Service Payment	52,250.00		52,250.00	
Police Side Job Fees	66,000.00		51,702.90	(14,297.10)
3rd & Valley Contribution	110,000.00		110,000.00	
	12,218,255.44		13,438,006.31	1,219,750.87
<u>Federal and State Grants:</u>				
AARP Community Challenge		\$ 3,100.00	3,100.00	
Alcohol Education, Rehabilitation and Enforcement Fund	7,320.58		7,320.58	
Bulletproof Vest Program	7,074.30		7,074.30	
Clean Communities		38,792.61	38,792.61	
Click It or Ticket	6,090.00		6,090.00	
Municipal Alliance Grant	3,000.00		3,000.00	
National Opioid Settlement	51,548.19		51,548.19	
Drunk Driving Enforcement		9,722.07	9,722.07	
NJ DCA - Neighborhood Preservation Program		125,000.00	125,000.00	
NJ Clean Energy Planning		10,000.00	10,000.00	
Recycling Tonnage Grants	47,481.33		47,481.33	
South Orange Junior Police Academy Program		13,000.00	13,000.00	
SEFD Grant	250,000.00		250,000.00	
NJACCHO - Enhancing Local Public Health Infrastructure		12,500.00	12,500.00	
NJDOH - Strengthening Local Public Health Capacity		64,788.00	64,788.00	
Sustainable Jersey PSE&G		2,000.00	2,000.00	
Sustainable Energy Initiatives - Maplewood Township		26,503.45	26,503.45	
Valley Street Urban Renewal - Founders Park		100,000.00	100,000.00	
	372,514.40	405,406.13	777,920.53	

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2025

A-2
Sheet #2

	Anticipated Budget	N.J.S. 40A:4-87	Realized	Excess
Total Miscellaneous Revenue	\$ 12,590,769.84	\$ 405,406.13	\$ 14,215,926.84	\$ 1,219,750.87
Receipts from Delinquent Taxes	750,000.00		830,675.25	80,675.25
Amount to be Raised by Taxes for Support of Municipal Budget:				
Minimum Library Tax	1,486,661.50		1,486,661.50	
Local Tax for Municipal Purpose	29,306,388.41		29,748,589.38	442,200.97
	30,793,049.91		31,235,250.88	442,200.97
Budget Totals	48,076,819.75	405,406.13	50,224,852.97	1,742,627.09
Nonbudget Revenue			878,511.88	878,511.88
	\$ 48,076,819.75	\$ 405,406.13	\$ 51,103,364.85	\$ 2,621,138.97

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
ANALYSIS OF REALIZED REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2025

A-2a

<u>Allocation of Tax Collections</u>	<u>Total</u>	<u>Receipts from Delinquent Taxes</u>	<u>Current Tax Collections</u>
Taxes Receivable Cash Receipts	\$ 109,316,541.87	\$ 830,675.25	\$ 108,485,866.62
Exemptions Granted	21,000.00		21,000.00
Prepaid Taxes Applied	459,108.28		459,108.28
Total Revenue	<u>109,796,650.15</u>	<u>830,675.25</u>	<u>108,965,974.90</u>
Allocated to:			
County Levy and Added Taxes	(15,729,514.93)		(15,729,514.93)
Regional District School Taxes	(63,075,025.00)		(63,075,025.00)
Local Open Space	(425,801.51)		(425,801.51)
Plus: Reserve for Uncollected Taxes	<u>1,500,000.00</u>		<u>1,500,000.00</u>
Realized Revenue	<u>\$ 32,065,926.13</u>	<u>\$ 830,675.25</u>	<u>\$ 31,235,250.88</u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF REVENUES
ANALYSIS OF NONBUDGET REVENUES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2025

A-2b

Miscellaneous Revenue Not Anticipated

Interest on Investments	\$ 620,446.89
Joint Meeting Refunds	54,013.47
SID Interest	329.25
Insurance Claims	1,935.12
Cannabis Excise Tax	13,414.03
Overpayments	532.50
Bounced Checks	927.46
Morris County JIF	91,389.16
Workers Compensation Adjustment	34,809.21
PSE&G Account Closures	9,896.12
Other	<u>50,818.67</u>
	<u>\$ 878,511.88</u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2025

	<u>Appropriations</u>		<u>Expended</u>	<u>Encumbered</u>	<u>Unencumbered</u>	<u>Canceled</u>
	<u>Budget</u>	<u>Modified Budget</u>				
<u>APPROPRIATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT</u>						
Administrative and Executive:						
Salaries and Wages	\$ 542,825.00	\$ 544,825.00	\$ 542,152.98		\$ 2,672.02	
Other Expenses	539,000.00	372,746.88	228,786.54	\$ 24,210.69	119,749.65	
Mayor and Council:						
Salaries and Wages	60,000.00	60,000.00	52,000.00		8,000.00	
Other Expenses	11,500.00	11,500.00	1,400.00		10,100.00	
Village Committee:						
Other Expenses	232,000.00	232,000.00	173,134.00	5,005.70	53,860.30	
Neighborhoods:						
Other Expenses	7,500.00	7,500.00		1,250.00	6,250.00	
Office of Village Clerk:						
Salaries and Wages	211,300.00	229,300.00	228,546.23		753.77	
Other Expenses	153,450.00	118,450.00	64,411.25	2,020.46	52,018.29	
Financial Administration:						
Salaries and Wages	94,780.00	94,780.00	94,544.27		235.73	
Other Expenses	309,750.00	309,750.00	274,013.60	22,214.46	13,521.94	
Annual Audit	55,000.00	55,000.00	47,500.00		7,500.00	
Assessment of Taxes:						
Salaries and Wages	127,800.00	127,800.00	127,800.00			
Other Expenses	13,350.00	13,350.00	5,229.66	759.00	7,361.34	
Tax Appeals	320,000.00	320,000.00	78,592.12		241,407.88	
Collection of Taxes:						
Salaries and Wages	230,720.00	248,720.00	247,716.48		1,003.52	
Other Expenses	22,950.00	22,950.00	21,464.43		1,485.57	
Legal Services and Costs:						
Other Expenses	200,000.00	200,000.00	136,938.04		63,061.96	
Engineering Services and Costs:						
Salaries and Wages	176,200.00	176,200.00	79,347.64		96,852.36	
Other Expenses	153,500.00	153,500.00	117,804.06		35,695.94	
Computer Information Technology:						
Salaries and Wages	224,760.00	224,760.00	219,505.14		5,254.86	
Other Expenses	270,586.00	270,586.00	188,946.30	43,777.84	37,861.86	
<u>LAND USE ADMINISTRATION</u>						
Planning Board:						
Other Expenses	22,120.00	22,120.00	8,813.36		13,306.64	
Board of Adjustment:						
Other Expenses	6,020.00	6,020.00	3,241.68	38.88	2,739.44	
Historic Preservation Commission:						
Other Expenses	31,000.00	31,000.00	8,414.18	1,006.50	21,579.32	
<u>INSURANCE</u>						
General Liability	2,138,000.00	2,138,000.00	1,868,374.19	97.50	269,528.31	
Employee Group Benefits:						
Group Health Waiver	986,514.00	986,514.00	934,702.00		51,812.00	

SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2025

	<u>Appropriations</u>		<u>Expended</u>	<u>Encumbered</u>	<u>Unencumbered</u>	<u>Canceled</u>
	<u>Budget</u>	<u>Modified Budget</u>				
<u>PUBLIC SAFETY</u>						
Police:						
Salaries and Wages	\$ 7,002,500.00	\$ 7,002,500.00	\$ 6,732,389.84		\$ 270,110.16	
Other Expenses	886,680.00	886,680.00	793,833.47	\$ 86,109.22	6,737.31	
Emergency Management Service:						
Other Expenses	15,200.00	15,200.00	4,719.62	5,600.00	4,880.38	
Fire:						
Other Expenses	1.00	1.00			1.00	
<u>PUBLIC WORKS FUNCTIONS</u>						
Department of Public Works:						
Salaries and Wages	1,880,113.00	1,880,113.00	1,844,241.69		35,871.31	
Other Expenses	1,500,700.00	1,500,700.00	1,155,880.81	285,318.55	59,500.64	
<u>HEALTH AND WELFARE</u>						
Board of Health:						
Other Expenses	108,815.00	108,815.00	75,421.39	3,882.00	29,511.61	
<u>RECREATION AND EDUCATION</u>						
Public Recreation Programs:						
Salaries and Wages	1,588,000.00	1,638,000.00	1,637,520.29		479.71	
Other Expenses	1,082,450.00	1,082,450.00	1,039,142.66	41,758.63	1,548.71	
Other Expenses (SOPAC)	280,525.50	323,025.50	260,641.83		62,383.67	
<u>MUNICIPAL COURT</u>						
Municipal Court:						
Salaries and Wages	105,100.00	105,100.00	105,017.02		82.98	
Public Defender:						
Salaries and Wages	31,700.00	31,700.00	31,700.00			
<u>UNIFORM CONSTRUCTION CODE</u>						
Construction Code Officials:						
Inspection of Buildings:						
Salaries and Wages	675,300.00	675,300.00	660,862.75		14,437.25	
Other Expenses	26,150.00	32,150.00	31,207.36	64.85	877.79	
<u>UNCLASSIFIED</u>						
Electricity	15,000.00	20,100.00	18,009.04	7.95	2,083.01	
Telephone and Telegraph	40,000.00	40,000.00	34,242.48	2,662.18	3,095.34	
Street Lighting	761,000.00	806,000.00	731,594.38	5,535.82	68,869.80	
Rent	272,000.00	272,000.00	271,273.35		726.65	
Total Operations Within "CAPS"	23,411,859.50	23,397,206.38	21,181,076.13	531,320.23	1,684,810.02	-
Detail:						
Salaries and Wages	12,951,098.00	15,431,224.00	14,624,968.32	44,881.84	761,373.84	-
Other Expenses	10,460,761.50	7,965,982.38	6,556,107.81	486,438.39	923,436.18	-

SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>STATUTORY EXPENDITURES</u>						
Contributions to:						
Public Employees' Retirement System	\$ 557,106.35	\$ 560,001.25	\$ 560,001.25			
Social Security System (OASI)	650,000.00	657,500.00	649,912.75		\$ 7,587.25	
Unemployment Insurance	10,000.00	10,000.00			10,000.00	
Disability Insurance						
Defined Contribution Retirement Program	4,000.00	4,000.00			4,000.00	
Police and Firemen's Retirement System	2,085,027.00	2,089,285.22	2,089,285.22			
	<u>3,306,133.35</u>	<u>3,320,786.47</u>	<u>3,299,199.22</u>	<u>-</u>	<u>21,587.25</u>	<u>-</u>
Total Appropriations Within "CAPS"	<u>26,717,992.85</u>	<u>26,717,992.85</u>	<u>24,480,275.35</u>	<u>\$ 531,320.23</u>	<u>1,706,397.27</u>	<u>-</u>
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
<u>OTHER OPERATIONS</u>						
Municipal Library	1,486,661.50	1,486,661.50	1,297,605.27	39,458.00	149,598.23	
Length of Service Awards Program	30,000.00	30,000.00			30,000.00	
Salary Adjustments	100,000.00	30,000.00			30,000.00	
Joint Trunk Sewer Maintenance	1,522,529.00	1,522,529.00	1,522,529.00			
	<u>3,139,190.50</u>	<u>3,069,190.50</u>	<u>2,820,134.27</u>	<u>39,458.00</u>	<u>209,598.23</u>	<u>-</u>
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS</u>						
Municipal Court - Township of Maplewood	500,000.00	500,000.00	195,898.34		304,101.66	
Health Department - Township of Maplewood	120,545.00	120,545.00	96,379.27		24,165.73	
Fire Department - City of South Essex	7,201,000.00	7,271,000.00	7,159,169.75	111,830.25		
	<u>7,821,545.00</u>	<u>7,891,545.00</u>	<u>7,451,447.36</u>	<u>111,830.25</u>	<u>328,267.39</u>	<u>-</u>
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
AARP Community Challenge		3,100.00	3,100.00			
Alcohol Education, Rehabilitation and Enforcement Fund	7,320.58	7,320.58	7,320.58			
Bulletproof Vest Program	7,074.30	7,074.30	7,074.30			
Clean Communities		38,792.61	38,792.61			
Click It or Ticket	6,090.00	6,090.00	6,090.00			
Municipal Alliance Grant	3,000.00	3,000.00	3,000.00			
National Opioid Settlement	51,548.19	51,548.19	51,548.19			
Drunk Driving Enforcement		9,722.07	9,722.07			
NJ DCA - Neighborhood Preservation Program		125,000.00	125,000.00			
NJ Clean Energy Planning		10,000.00	10,000.00			
Recycling Tonnage Grants	47,481.33	47,481.33	47,481.33			
South Orange Junior Police Academy Program		13,000.00	13,000.00			
SEFD Grant	250,000.00	250,000.00	250,000.00			
NJACCHO - Enhancing Local Public Health Infrastructure		12,500.00	12,500.00			
NJDOH - Strengthening Local Public Health Capacity		64,788.00	64,788.00			
Sustainable Jersey PSE&G		2,000.00	2,000.00			
Sustainable Energy Initiatives - Maplewood Township		26,503.45	26,503.45			
Valley Street Urban Renewal - Founders Park		100,000.00	100,000.00			
Total Public and Private Programs	<u>372,514.40</u>	<u>777,920.53</u>	<u>777,920.53</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>11,333,249.90</u>	<u>11,738,656.03</u>	<u>11,049,502.16</u>	<u>151,288.25</u>	<u>537,865.62</u>	<u>-</u>
Detail:						
Other Expenses	<u>11,333,249.90</u>	<u>11,738,656.03</u>	<u>11,049,502.16</u>	<u>151,288.25</u>	<u>537,865.62</u>	<u>-</u>

SOUTH ORANGE VILLAGE
CURRENT FUND

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2025

	Appropriations		Expended	Encumbered	Unencumbered	Canceled
	Budget	Modified Budget				
<u>CAPITAL IMPROVEMENTS</u>						
Capital Improvement Fund	\$ 310,000.00	\$ 310,000.00	\$ 310,000.00			
	<u>310,000.00</u>	<u>310,000.00</u>	<u>310,000.00</u>	-	-	-
<u>APPROPRIATIONS EXCLUDED FROM "CAPS"</u>						
<u>DEBT SERVICE</u>						
Payment of Bond Principal	5,270,000.00	5,270,000.00	5,270,000.00			
Payment of Bond Anticipation Notes and Capital Notes	371,000.00	371,000.00	371,000.00			
Interest on Bonds	1,601,000.00	1,601,000.00	1,600,971.67			\$ 28.33
Interest on Notes	854,000.00	854,000.00	853,699.49			300.51
Green Trust Loan - Principal and Interest	8,540.00	8,540.00	8,534.64			5.36
2010 NJEIT - Principal and Interest	13,650.00	13,650.00	12,413.61			1,236.39
2015 NJEIT - Principal and Interest	23,900.00	23,900.00	21,779.92			2,120.08
	<u>8,142,090.00</u>	<u>8,142,090.00</u>	<u>8,138,399.33</u>	-	-	<u>3,690.67</u>
<u>DEFERRED CHARGES</u>						
Special Emergency Authorizations 5 Years	73,487.00	73,487.00	73,487.00			
Total Appropriations Excluded from "CAPS"	<u>19,858,826.90</u>	<u>20,264,233.03</u>	<u>19,571,388.49</u>	\$ 151,288.25	\$ 537,865.62	<u>3,690.67</u>
Sub-Total Appropriations	46,576,819.75	46,982,225.88	44,051,663.84	682,608.48	2,244,262.89	3,690.67
Reserve for Uncollected Taxes	1,500,000.00	1,500,000.00	1,500,000.00			
Total General Appropriations	<u>\$ 48,076,819.75</u>	<u>\$ 48,482,225.88</u>	<u>\$ 45,551,663.84</u>	<u>\$ 682,608.48</u>	<u>\$ 2,244,262.89</u>	<u>\$ 3,690.67</u>

2025 Budgeted Appropriations	\$ 48,076,819.75
N.J.S. 40A:4-87	405,406.13
Total Modified Budget	<u>48,482,225.88</u>

Reserve for Uncollected Taxes	(1,500,000.00)	\$ 1,500,000.00
Cash Disbursements		43,200,256.31
Deferred Charges		73,487.00
Reserve for Federal/State Grants		<u>777,920.53</u>
	<u>\$ 46,978,535.21</u>	<u>\$ 45,551,663.84</u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
TRUST FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024

B

<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
<u>Animal Control Fund</u>		
Cash	\$ 17,157.05	\$ 2,223.38
Due from Current Fund		7,334.00
	<u>\$ 17,157.05</u>	<u>\$ 9,557.38</u>
 <u>General Trust Fund</u>		
Cash	\$ 6,189,498.71	\$ 6,344,806.83
Interfunds	469,318.83	28,763.05
Accounts Receivable		0.99
	<u>\$ 6,658,817.54</u>	<u>\$ 6,373,570.87</u>
 <u>Payroll Trust Fund</u>		
Cash	\$ 114,847.85	\$ 82,414.77
Interfunds Receivable		12,465.87
	<u>\$ 114,847.85</u>	<u>\$ 94,880.64</u>
 Total Assets	 <u>\$ 6,790,822.44</u>	 <u>\$ 6,478,008.89</u>
 <u>LIABILITIES AND RESERVES</u>		
<u>Animal Control Fund</u>		
Interfunds Payable	\$ 2,036.25	
Due to State of New Jersey	54.60	\$ 57.00
Reserve for Expenditures	15,066.20	9,500.38
	<u>\$ 17,157.05</u>	<u>\$ 9,557.38</u>
 <u>General Trust Fund</u>		
Reserves for:		
Special Deposits	\$ 4,819,009.24	\$ 4,789,596.39
Interfunds	1,110.10	2,310.47
Open Space	1,838,698.20	1,581,664.01
	<u>\$ 6,658,817.54</u>	<u>\$ 6,373,570.87</u>
 <u>Payroll Trust Fund</u>		
Interfunds Payable	\$ 1,416.65	
Payroll Deductions Payable	113,431.20	\$ 94,880.64
	<u>\$ 114,847.85</u>	<u>\$ 94,880.64</u>
 Total Liabilities and Reserves	 <u>\$ 6,790,822.44</u>	 <u>\$ 6,478,008.89</u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
GENERAL CAPITAL FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024

C

ASSETS AND DEFERRED CHARGES

	2025	2024
Cash	\$ 5,982,651.25	\$ 11,762,581.11
Grants Receivable	13,439,609.21	12,865,003.90
Due from Seton Hall University		50,000.00
Deferred Charges to Future Taxation:		
Funded	31,694,697.29	38,872,093.45
Unfunded	49,544,432.00	41,099,682.00
	\$ 100,661,389.75	\$ 104,649,360.46

LIABILITIES AND FUND BALANCE

Serial Bonds	\$ 31,445,000.00	\$ 38,585,000.00
New Jersey Infrastructure Loan Payable	241,288.98	270,442.51
Accounts Payable	48,888.91	525,397.60
Green Acres Trust Loan Payable	8,408.31	16,650.94
Improvement Authorizations:		
Funded	242,918.30	359,108.63
Unfunded	37,686,106.06	35,524,130.13
Bond Anticipation Notes Payable	21,772,000.00	20,143,000.00
Capital Improvement Fund	227,139.63	125,486.63
Reserve for Third and Valley	110,000.00	220,000.00
Reserve for Preliminary Engineering Expenses	30.00	30.00
Reserve for Seton Hall University		50,000.00
Reserve for Grants Receivable	8,160,147.80	8,160,147.80
Reserve for Debt	500,000.00	500,000.00
Fund Balance	219,461.76	169,966.22
	\$ 100,661,389.75	\$ 104,649,360.46
 Bonds and Notes Authorized but Not Issued	 \$ 27,772,432.00	 \$ 20,956,682.00

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2025

C-1

Balance, December 31, 2024	\$ 169,966.22
Increased by:	
Premium on Sale of Notes	<u>219,461.76</u>
	389,427.98
Decreased by:	
Appropriated to 2025 Budget Revenue	<u>169,966.22</u>
Balance, December 31, 2025	<u><u>\$ 219,461.76</u></u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
WATER UTILITY

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024

D

<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
<u>Operating Fund</u>		
Cash	\$ 2,918,924.05	\$ 1,754,267.72
Receivables with Full Reserves:		
Water Rents Receivable	942,494.63	1,177,359.62
	<u>3,861,418.68</u>	<u>2,931,627.34</u>
<u>Capital Fund</u>		
Cash	541,695.24	815,979.21
Fixed Capital		11,840,389.55
Fixed Capital - Authorized and Uncompleted		19,550,000.00
New Jersey Infrastructure Bank Financing Note Receivable		505,085.00
	<u>541,695.24</u>	<u>32,711,453.76</u>
Total Assets	<u>\$ 4,403,113.92</u>	<u>\$ 35,643,081.10</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
<u>Operating Fund</u>		
Liabilities:		
Reserve for Encumbrances		\$ 113,537.60
Appropriation Reserves	\$ 936,808.69	70,033.61
Accrued Interest Payable		258,531.37
Water Overpayments	99,478.14	89,892.06
Other Reserves		1,176.00
Total Liabilities	<u>1,036,286.83</u>	<u>533,170.64</u>
Reserves for Accounts Receivable	942,494.63	1,177,359.62
Fund Balance	1,882,637.22	1,221,097.08
	<u>3,861,418.68</u>	<u>2,931,627.34</u>
<u>Capital Fund</u>		
Improvement Authorizations:		
Funded		94,605.19
Unfunded		6,725,737.75
Serial Bond Payable		1,695,000.00
New Jersey Infrastructure Bank Loan Payable		573,835.13
New Jersey Infrastructure Bank Financing Note Payable		2,164,915.00
Reserve for New Jersey Infrastructure Bank Financing Note Receivable		505,085.00
Reserve for Future Projects	231,012.00	231,012.00
Reserve for Amortization		9,491,673.96
Bond Anticipation Notes Payable		11,158,000.00
Fund Balance	310,683.24	71,589.73
	<u>541,695.24</u>	<u>32,711,453.76</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 4,403,113.92</u>	<u>\$ 35,643,081.10</u>
Bonds and Notes Authorized but Not Issued	<u>\$ -</u>	<u>\$ 5,795,543.46</u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
WATER UTILITY

COMPARATIVE STATEMENTS OF OPERATIONS
AND CHANGES IN FUND BALANCE - OPERATING FUND
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024

D-1

	2025	2024
<u>Revenue and Other Income</u>		
Fund Balance Anticipated	\$ 656,314.27	\$ 299,450.92
Anticipated Miscellaneous Revenues	575,000.00	350.79
Water Rents	5,427,074.73	5,014,293.97
Water Capital Surplus	71,589.73	139,517.08
Interest Income	29,953.61	60,654.82
Cancelled Reserves	1,176.00	
Voided Checks		1,580.00
Appropriation Reserves Lapsed	36,012.40	370,931.81
Total Revenue and Other Income	6,797,120.74	5,886,779.39
<u>Expenditures</u>		
Budget Appropriations:		
Operations	4,848,404.00	4,378,250.00
Debt Service	622,447.33	890,666.08
Statutory Expenditures	8,415.00	15,956.00
Total Expenditures	5,479,266.33	5,284,872.08
Statutory Excess to Fund Balance	1,317,854.41	601,907.31
<u>Fund Balance</u>		
Balance, Beginning of Year	1,221,097.08	1,218,640.69
Decreased by:		
Amount Utilized as Utility Operating Fund Revenue	656,314.27	299,450.92
Amount Utilized as Current Fund Revenue	656,314.27	300,000.00
	656,314.27	599,450.92
Balance, End of Year	\$ 1,882,637.22	\$ 1,221,097.08

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
WATER UTILITY CAPITAL FUND

STATEMENT OF FUND BALANCE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2025

D-2

Balance, December 31, 2024		\$ 71,589.73
Increased by:		
Premium on Sale of Notes	\$ 111,212.64	
Cancellation of Reserve for Amortization	9,826,736.22	
Bonds Defeased	1,495,000.00	
Loans Defeased	562,857.87	
Notes Defeased	11,033,000.00	
N.J. I-Bank Loan Sale Proceeds	2,212,911.60	
Prepayment of Note as a Result of Water Utility Sale	2,164,915.00	
Cancellation of Improvement Authorizations Payable	<u>5,294,439.46</u>	
		<u>32,701,072.79</u>
		32,772,662.52
Decreased by:		
Water Capital Fund Balance Anticipated in Budget	71,589.73	
Fixed Capital Transfers to NJAW for Debt Defeasance	18,140,389.55	
Fixed Capital - Uncompleted Transfers to NJAW for Debt Defeasance	<u>14,250,000.00</u>	
		<u>32,461,979.28</u>
Balance, December 31, 2025		<u><u>\$ 310,683.24</u></u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
WATER UTILITY

STATEMENT OF REVENUE
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2025

D-3

Source	Budget Revenue	Realized	Excess
Fund Balance Anticipated	\$ 656,314.27	\$ 656,314.27	
Water Rents	5,010,000.00	5,427,074.73	\$ 417,074.73
Miscellaneous		575,000.00	575,000.00
Interest on Investments		29,953.61	29,953.61
Water Capital Surplus	71,589.73	71,589.73	
	\$ 5,737,904.00	\$ 6,759,932.34	\$ 1,022,028.34

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
WATER UTILITY

STATEMENT OF EXPENDITURES
REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2025

D-4

	<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	\$ 110,000.00	\$ 110,000.00	\$ 108,207.77	\$ 1,792.23	
Other Expenses	4,738,404.00	4,738,404.00	3,803,387.54	935,016.46	
<u>Debt Service</u>					
Payment of Bond Principal	200,000.00	200,000.00	200,000.00		
Interest on Bonds	60,700.00	60,700.00	47,950.00		\$ 12,750.00
Payment of BAN Principal	124,085.00	124,085.00	124,085.00		
Payment of NJIB Principal	23,300.00	23,300.00	18,573.89		4,726.11
Interest on Notes	473,000.00	473,000.00	231,838.44		241,161.56
<u>Statutory Expenditures</u>					
Social Security	8,415.00	8,415.00	8,415.00		
	<u>\$ 5,737,904.00</u>	<u>\$ 5,737,904.00</u>	<u>\$ 4,542,457.64</u>	<u>\$ 936,808.69</u>	<u>\$ 258,637.67</u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
PUBLIC ASSISTANCE FUND

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024

E

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
Cash	\$ 856.34	\$ 8,792.76
Total Assets	<u>\$ 856.34</u>	<u>\$ 8,792.76</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Due to Payroll Fund		\$ 7,984.89
Fund Balance	\$ 856.34	<u>807.87</u>
Total Liabilities and Fund Balance	<u>\$ 856.34</u>	<u>\$ 8,792.76</u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
PUBLIC ASSISTANCE FUND

COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2025 AND 2024

E-1

	<u>2025</u>	<u>2024</u>
<u>Revenue and Other Income:</u>		
Interest Earned	<u>\$ 48.47</u>	<u>\$ 180.74</u>
Total Revenue and Other Income	<u>48.47</u>	<u>180.74</u>
Fund Balance, Beginning of Year	<u>807.87</u>	<u>627.13</u>
Fund Balance, End of Year	<u><u>\$ 856.34</u></u>	<u><u>\$ 807.87</u></u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
TRUSTEES OF FREE PUBLIC LIBRARY

COMPARATIVE BALANCE SHEETS
REGULATORY BASIS
DECEMBER 31, 2025 AND 2024

E

<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
<u>Unrestricted</u>		
Cash	\$ 192,633.40	\$ 101,862.57
Cash - Money Market	90,677.10	90,585.21
Due from South Orange Village	39,458.00	
	<u>322,768.50</u>	<u>192,447.78</u>
<u>Restricted</u>		
Cash	<u>200,319.08</u>	<u>200,299.05</u>
Total Assets	<u>\$ 523,087.58</u>	<u>\$ 392,746.83</u>
 <u>FUND BALANCE</u>		
Restricted for Computer Technology	\$ 200,319.08	\$ 200,299.05
Unrestricted	<u>322,768.50</u>	<u>192,447.78</u>
Total Fund Balance	<u>\$ 523,087.58</u>	<u>\$ 392,746.83</u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
TRUSTEES OF FREE PUBLIC LIBRARY

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES
REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2025 AND 2024

F-1

	<u>Unrestricted</u>	<u>Restricted</u>	<u>2025</u>	<u>2024</u>
Revenue:				
Gifts	\$ 35,192.23		\$ 35,192.23	\$ 30,279.65
Copier Fees	2,036.90		2,036.90	2,885.15
Fines and Lost Books	1,455.14		1,455.14	1,160.95
Miscellaneous	4,211.87		4,211.87	3,570.18
Interest on Deposits and Investments	93.30	\$ 20.03	113.33	113.49
State Library Aid	10,009.00		10,009.00	9,975.00
Current Fund Budget Appropriation	1,337,063.27		1,337,063.27	1,284,775.40
	<u>1,390,061.71</u>	<u>20.03</u>	<u>1,390,081.74</u>	<u>1,332,759.82</u>
Expenditures:				
Paid Directly by the Village	1,096,726.59		1,096,726.59	1,204,844.90
Books and Subscriptions and Other Expenses	163,014.40		163,014.40	197,155.47
	<u>1,259,740.99</u>	<u>-</u>	<u>1,259,740.99</u>	<u>1,402,000.37</u>
Statutory (Deficit) Excess to Fund Balance	130,320.72	20.03	130,340.75	(69,240.55)
Fund Balance, Beginning of Year	<u>192,447.78</u>	<u>200,299.05</u>	<u>392,746.83</u>	<u>461,987.38</u>
Fund Balance, End of Year	<u>\$ 322,768.50</u>	<u>\$ 200,319.08</u>	<u>\$ 523,087.58</u>	<u>\$ 392,746.83</u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE

GOVERNMENTAL FIXED ASSETS
 COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>Governmental Fixed Assets</u>		
Land and Improvements	\$ 32,528,166.00	\$ 32,528,166.00
Building and Improvements	41,203,345.00	41,203,345.00
Vehicles and Equipment	13,752,201.83	13,333,568.76
	<u>\$ 87,483,712.83</u>	<u>\$ 87,065,079.76</u>
 Investment in Fixed Assets	<u>\$ 87,483,712.83</u>	<u>\$ 87,065,079.76</u>

See accompanying notes to financial statements.

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements of the South Orange Village, County of Essex, New Jersey (“Village”) include every Board, body, officer, or commission maintained wholly or in part by funds appropriated by the Village, 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 Village 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 Village 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 Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization’s governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization’s resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves the budget, the issuance of debt or the levying of taxes. The Village is not includable in any other reporting entity as a component unit.

Description of Funds

The Village 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 Village 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.

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Village 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, and Payroll Trust Fund.

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. Effective December 10, 2025, the Water System was sold to New Jersey American Water. See Note 18 for further detail.

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 Village 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 Village's Current Budget.

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

Basis of Accounting – The Village 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 Village 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 8.00% per annum, or 18.00% on any delinquency amount in excess of \$1,500.00. The resolution also sets a grace period of ten days before interest is calculated. In addition, any delinquency in excess of \$10,000.00 at the end of the calendar year is subject to a 6.00% penalty on the unpaid balance.

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Village. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April 1 in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Village 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 Village 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 Village'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 Village'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 Village'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 Village and approved by the Division per N.J.S.A. 40A:4 et seq.

The Village 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

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The governing body is required to introduce and approve the annual budget no later than the last day in February of the fiscal year. The budget is required to be adopted no later than April 20, and prior to adoption, must be certified by the Division. The Director of the Division, with the approval of the Local Finance Board, may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. In addition, the governing body approved several budget transfers during 2025.

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 liabilities for compensated absences be recorded for leave that has not been used when the leave is attributable to services already rendered and the leave is more likely than not to be used for time off or otherwise paid in cash. Compensated absences liabilities are not recorded on the balance sheet.

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.

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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 Village has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Village as assets with an initial, individual cost of \$2,000.00 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 Vehicles and Equipment	Assessed Value 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 was recorded in the capital account at cost and are adjusted for disposition and abandonment. Due to the sale of the utility system to New Jersey American Water previously noted, the balances were cancelled or transferred to NJAW's possession and no longer remain on the Village's financial statements. See note 18 for detail.

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.

Long-term Debt - The Village's long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Village's long-term debt is provided in Note 3 to the financial statements.

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Pension Liability and Pension Related Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense - The requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68" require governmental entities to record their distributive shares of net pension liability, deferred outflows of resources, deferred inflows of resources and total pension related expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of these amounts. The audited financial information related to pensions is released annually by the State's Division of Pensions and Benefits and is required to be included as note disclosures in the financial statements. Pursuant to N.J.A.C. 5:30-6.1(c)2, municipalities may use the most recent available audited GASB Statement No. 68 financial information published by the New Jersey Department of the Treasury, Division of Pensions and Benefits. As of December 31, 2025, the 2024 Public Employees' Retirement System Report and the 2024 Police and Firemen's Retirement System Report were the most recent reports available and therefore these years were disclosed accordingly. Refer to Note 9 for these disclosures.

Other Post-Employment Benefits Other Than Pensions - The requirements of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)" that is provided by other entities require governmental entities to record in their financial statements a share of the other governments net OPEB liability, deferred outflows of resources, deferred inflows of resources and total OPEB expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of the amounts. Since the Village does not follow generally accepted accounting principles, the GASB did not result in a change in the Village's assets, liabilities and contribution requirements. However, it did result in additional note disclosures as required by the GASBs. The audited financial information related to OPEBs is released annually by the State's Division of Pensions and Benefits and is required to be included as note disclosures in the financial statements. Pursuant to N.J.A.C. 5:30-6.1(c)2, municipalities may use the most recent available audited GASB Statement No. 75 financial information published by the New Jersey Department of the Treasury, Division of Pensions and Benefits. As a result, the latest available information is presented in Note 10 to these financial statements.

Leases – Village as a Lessee - The Village is a lessee for leases of Village vehicles. The Village acknowledges a lease obligation with an initial, collective value of \$60,000.00 or more. The Village has reviewed GASB Statement No. 87, *Leases*. However, the financial statements are presented on a regulatory basis of accounting, which differs from accounting principles generally accepted in the United States of America. Accordingly, the leases are not recorded as right-to-use assets and lease liabilities in these statements. See Note 3 for additional detail.

At commencement of a lease, the Village initially measures the lease obligation at the present value of payments expected to be made during the lease term. Subsequently, the lease obligation is reduced by the principal portion of lease payments made. Key estimates and judgments related to leases include how the Village determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Village uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Village uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease obligation are composed of fixed payments and any purchase option price that the Village is reasonably certain to exercise. The Village monitors changes in circumstances that would require a remeasurement of its lease obligation and will remeasure if certain changes occur that are expected to significantly affect the amount of the lease obligation.

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting for Subscription-based Information Technology Arrangements (continued)

Leases (continued) - Village as a Lessor - The Village is a lessor of Village owned cell towers with Verizon, AT&T and Omnipoint with lease agreements for 5 years with options to extend for four additional 5-year periods. The Village acknowledges a lease with an initial, collective value of \$60,000.00 or more. See Note 5 for detail. The Village initially measures the lease at the present value of payments expected to be received during the lease term. Key estimates and judgments to the lessor include (1) the discount rate using the lessee's estimated borrowing rate expected less receipts to present value, (2) the lease term including any non-cancellable period of the lease, and (3) the lease payments determined by the lease receipts included in the measurement of the lease that are composed of fixed payments from the lessee and any payment renewal option that the Village is reasonably certain to exercise.

The Village monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease if certain changes occur that are expected to significantly affect the amount of the lease.

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 Village'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 Village's basic financial statements. As the LOSAP Plan's assets remain the property of the Village until withdrawn by participants, GAAP requires that the Plan's financial information be included in the Village's basic financial statements. See Note 11 regarding the availability of LOSAP Plan financial information.

Recently Issued and Adopted Accounting Principle - The GASB Statement No. 102, "*Certain Risk Disclosures*", provides guidance on disclosures within government financial statements on risks related to a government's vulnerabilities due to certain concentrations or constraints. A concentration is defined as a lack of diversity related to an aspect of a significant inflow or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. Under this statement, a government is required to assess whether an event or events associated with a concentration or constraint that could cause substantial impact have occurred, have begun to occur, or are more likely than not to begin within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024. The requirements have been evaluated by the Village and have been applied to the financial statements for the year ended December 31, 2025.

The GASB Statement No. 103, "*Financial Reporting Model Improvements*", has been issued to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing the government's accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 104, "*Disclosure of Certain Capital Assets*" in September 2024. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets including lease assets, intangible right-to-use assets, subscription assets, other intangible assets and assets held for sale. The requirements of this Statement are effective for periods beginning after June 15, 2025, and all reporting periods thereafter. Management has not determined the impact of the Statement on the financial statements.

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued and Adopted Accounting Principle (continued) - The GASB issued Statement No. 105, "*Subsequent Events*" in December 2025. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. Management has not yet determined the impact of this Statement on the financial statements.

This is not an all-inclusive list of recently issued GASB pronouncements but rather a listing of Statements that the Village believes will most impact its financial statements. The Village will evaluate the impact this and other pronouncements may have on its financial statements and will implement them as applicable and when material.

Use of Estimates - The preparation of financial statements requires management of the Village 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 Village'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.

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

2. DEPOSITS AND INVESTMENTS

Deposits:

The Village's deposits are insured through either the Federal Deposit Insurance Corporation ("FDIC") or New Jersey's Governmental Unit Deposit Protection Act ("GUDPA"). The Village 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 5.00% 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 Village's deposits may not be returned to it. Although the Village 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 depository 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, 2025 and 2024 some of the Village's bank balances were exposed to custodial credit risk.

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

2. DEPOSITS AND INVESTMENTS (continued)

Bank balances are insured up to \$250,000.00 in the aggregate by the FDIC for each bank for periods ending December 31, 2025 and 2024. At December 31, 2025 and 2024, the book value of the Village's deposits was \$36,724,278.59 and \$40,790,808.84, respectively. At December 31, 2025 and 2024 the Village had the following depository accounts balances, where all deposits are carried at cost:

<u>Depository Account</u>	Bank Balances	
	December 31, 2025	December 31, 2024
FDIC Insured	\$ 750,000.00	\$ 750,000.00
GUDPA Insured	36,989,717.29	41,031,412.57
	\$37,739,717.29	\$ 41,781,412.57

The Village had \$144,384.99 and \$130,541.89 held in agency and payroll accounts for the years ended December 31, 2025 and 2024, respectively, that are not covered by GUDPA.

Investments:

The Village is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. 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 Village or bonds or other obligations of the School Districts which are a part of the Village or School Districts located within the Village, 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, 2025 and 2024, the Village 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.

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 Village are general obligation bonds, backed by the full faith and credit of the Village. 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.

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

3. MUNICIPAL DEBT (continued)

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

	<u>Year 2025</u>	<u>Year 2024</u>
<u>Issued</u>		
General:		
Bonds and Notes	\$ 53,217,000.00	\$ 58,728,000.00
Green Acres Trust Loan	8,408.31	16,650.94
Environmental Infrastructure	241,288.98	270,442.51
Water:		
Bonds and Notes		12,853,000.00
Environmental Infrastructure		573,835.13
Total Debt Issued	<u>53,466,697.29</u>	<u>72,441,928.58</u>
<u>Authorized but Not Issued</u>		
General:		
Bonds and Notes	27,772,432.00	20,956,682.00
Water:		
Bonds and Notes		5,795,543.46
Total Authorized but Not Issued	<u>27,772,432.00</u>	<u>26,752,225.46</u>
Total Bonds and Notes Issued and Authorized but Not Issued	<u>\$ 81,239,129.29</u>	<u>\$ 99,194,154.04</u>

The statement of debt condition that follows is extracted from the Village's Annual Debt Statement and indicates a statutory net debt of 1.856% at December 31, 2025.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District	\$ 75,889,156.99	\$ 75,889,156.99	
General Debt	81,239,129.29	500,000.00	\$ 80,739,129.29
	<u>\$ 157,128,286.28</u>	<u>\$ 76,389,156.99</u>	<u>\$ 80,739,129.29</u>

The Village's remaining borrowing power under N.J.S.A. 40A:2-6, as amended, at December 31, 2025 as follows:

3 1/2% of Equalized Valuation Basis	\$ 155,763,643.11
Net Debt	<u>(80,739,129.29)</u>
Remaining Borrowing Power	<u>\$ 75,024,513.82</u>

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

3. MUNICIPAL DEBT (continued)

School Debt Deductions

School debt is deductible up to the extent of 2.00% 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

Surplus and Cash Receipts from Fees, Rent or Other Charges for Year		\$ 6,759,932.34
Deductions:		
Operating and Maintenance Costs	\$ 4,856,819.00	
Debt Service per Water Utility	<u>622,447.33</u>	
		<u>5,479,266.33</u>
Excess in Revenue		<u>\$ 1,280,666.01</u>

As there is an excess in revenue, all Water Utility Debt is deductible for Debt Statement purposes.

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

The Village levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
<u>General Obligation Bonds</u>		
\$11,800,000.00 General improvement Bonds; Annual maturities of \$495,000.00 to \$990,000.00 through June 2038, at interest rates ranging from 4.00% to 5.00%	\$ 11,305,000.00	\$ 11,800,000.00
\$4,265,000.00 Taxable Refunding Bonds; Annual maturities of \$530,000.00 to \$535,000.00 through November 2029 at an interest rate of 5.00%	2,130,000.00	2,670,000.00
\$13,350,000.00 General Improvement Bonds; Annual maturities of \$1,255,000.00 to \$1,410,000.00 through May 2031 at interest rates ranging from 2.00% to 3.00%	8,110,000.00	9,320,000.00
\$17,655,000.00 Refunding General Bonds; Annual maturities of \$2,410,000.00 to \$2,485,000.00 through January 2028 at an interest rate of 4.00%	7,345,000.00	9,720,000.00
\$8,500,000.00 General Obligation Bonds; Annual maturities of \$210,000.00 to \$810,000.00 through April 2031 at interest rates ranging from 3.00% to 4.00%	<u>2,555,000.00</u>	<u>5,075,000.00</u>
	<u>\$ 31,445,000.00</u>	<u>\$ 38,585,000.00</u>

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

3. MUNICIPAL DEBT (continued)

Water Utility bonds outstanding at December 31, 2025 and 2024 are as follows:

	2025	2024
<u>Water Utility Bonds</u>		
\$470,000.00 Water Refunding Bonds*		\$ 300,000.00
\$2,135,000.00 Water Utility Bonds*		1,395,000.00
	\$ -	\$ 1,695,000.00

*As a result of the water system sale, this debt has been removed from the Village's financial statements. See Note 18 for amounts and maturities that will be retired through the escrow account.

The Village's principal and interest for general obligation bonds issued and outstanding as of December 31, 2025 is as follows:

Year	General	
	Principal	Interest
2026	\$ 4,905,000.00	\$1,082,900.00
2027	4,790,000.00	877,525.00
2028	4,860,000.00	701,425.00
2029	3,605,000.00	543,975.00
2030	3,150,000.00	418,975.00
2031-2035	7,165,000.00	1,115,150.00
2036-2038	2,970,000.00	178,200.00
	\$31,445,000.00	\$4,918,150.00

Environmental Infrastructure Loan

General Capital - An Environmental Infrastructure Loan was obtained by the Joint Sewer Authority of Union and Essex County, of which the Village is a member. Each member town was required to adopt an ordinance for their share of the cost. Total cost for the Village was \$435,444.00. The Village obtained ARRA funding in the sum of \$206,962.00, which reduced its debt payments to \$228,481.00. The following is the remaining debt on the loan in the sum of \$241,288.98.

The Village's principal and interest for New Jersey Environmental Trust and Fund Loans outstanding as of December 31, 2025 is as follows:

Calendar Year	Total		General Capital	
	Principal	Interest	Principal	Interest
2026	\$ 29,153.53	\$ 3,930.00	\$ 29,153.53	\$ 3,930.00
2027	33,153.53	3,480.00	33,153.53	3,480.00
2028	33,153.53	2,920.00	33,153.53	2,920.00
2029	33,153.53	2,360.00	33,153.53	2,360.00
2030	18,534.92	1,800.00	18,534.92	1,800.00
2031 - 2034	94,139.94	4,000.00	94,139.94	4,000.00
	\$ 241,288.98	\$ 18,490.00	\$ 241,288.98	\$ 18,490.00

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

3. MUNICIPAL DEBT (continued)

Green Acres Trust Loan

The New Jersey Green Acres Trust Loan obtained in 2007 for \$137,250.00 requiring semi-annual installments of \$4,121.31, including interest at the rate of 2.00% and has a remaining balance of \$8,408.31 and \$16,650.94 at December 31, 2025 and 2024, respectively.

The Village's principal and interest for the Green Acres Trust Loan outstanding as of December 31, 2025 is as follows:

<u>General</u>		
<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 8,408.31	\$ 126.33
	<u>\$ 8,408.31</u>	<u>\$ 126.33</u>

Changes in Long-Term Municipal Debt

The Village's long-term capital debt activity for 2025 and 2024 is as follows:

	Balance December 31, 2024	Increases	Reductions	Balance December 31, 2025	Due Within One Year
General Capital Fund					
Bonds Payable	\$38,585,000.00		\$ 7,140,000.00	\$31,445,000.00	\$4,905,000.00
New Jersey Infrastructure					
Bank Financing Note Payable	270,442.51		29,153.53	241,288.98	29,153.53
Green Acres Loan	16,650.94		8,242.63	8,408.31	8,408.31
	38,872,093.45	-	7,177,396.16	31,694,697.29	4,942,561.84
Water Utility Fund					
Bonds Payable	1,695,000.00		1,695,000.00		
New Jersey Infrastructure					
Bank Financing Note Payable	573,835.13		573,835.13		
Total	\$41,140,928.58	\$ -	\$ 8,872,396.16	\$31,694,697.29	\$4,942,561.84
	Balance December 31, 2023	Increases	Reductions	Balance December 31, 2024	Due Within One Year
General Capital Fund					
Bonds Payable	\$31,410,000.00	\$ 11,800,000.00	\$ 4,625,000.00	\$38,585,000.00	\$5,270,000.00
New Jersey Infrastructure					
Bank Financing Note Payable	299,596.04		29,153.53	270,442.51	29,153.53
Green Acres Loan	24,731.16		8,080.22	16,650.94	8,242.63
	31,734,327.20	11,800,000.00	4,662,233.75	38,872,093.45	5,307,396.16
Water Utility Fund					
Bonds Payable	1,895,000.00		200,000.00	1,695,000.00	200,000.00
New Jersey Infrastructure					
Bank Financing Note Payable	584,903.08		11,067.95	573,835.13	11,067.95
Total	\$34,214,230.28	\$11,800,000.00	\$ 4,862,233.75	\$41,140,928.58	\$5,507,396.16

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
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3. MUNICIPAL DEBT (continued)

Short-Term Debt

The Village's short-term capital debt activity for 2025 and 2024 is as follows:

	Balance, December 31, 2024	Additions	Reductions	Balance, December 31, 2025
General Capital				
Bond Anticipation Notes	\$ 20,143,000.00	\$ 22,143,000.00	\$ 20,514,000.00	\$ 21,772,000.00
Water Utility				
Bond Anticipation Notes	11,158,000.00		11,158,000.00	
New Jersey Infrastructure				
Bank Financing Note Payable	<u>2,164,915.00</u>		<u>2,164,915.00</u>	
	13,322,915.00	-	13,322,915.00	-
Total	<u>\$ 33,465,915.00</u>	<u>\$ 22,143,000.00</u>	<u>\$ 33,836,915.00</u>	<u>\$ 21,772,000.00</u>
	Balance, December 31, 2023	Additions	Reductions	Balance, December 31, 2024
General Capital				
Bond Anticipation Notes	\$ 20,507,314.00	\$ 20,143,000.00	\$ 20,507,314.00	\$ 20,143,000.00
Water Utility				
Bond Anticipation Notes	9,688,686.00	11,158,000.00	9,688,686.00	11,158,000.00
New Jersey Infrastructure				
Bank Financing Note Payable	<u>1,908,779.00</u>	<u>256,136.00</u>		<u>2,164,915.00</u>
	11,597,465.00	11,414,136.00	9,688,686.00	13,322,915.00
Total	<u>\$ 32,104,779.00</u>	<u>\$ 31,557,136.00</u>	<u>\$ 30,196,000.00</u>	<u>\$ 33,465,915.00</u>

Lease Obligations

For the year ended December 31, 2025, the Village has open lease obligations for vehicles for \$432,483.91. The lease terms include the noncancellable period of the leases. Lease payments included in the measurement of the lease obligation are composed of fixed monthly payments with interest rates ranging from 0.00% to 5.00%. On October 21, 2021, the Village entered into six separate 60-month lease agreements for Village vehicles with an initial lease obligation in the amount of \$260,874.35 and monthly payments ranging from \$620.63 to \$982.48. On November 11, 2022, the Village entered into three separate 60-month lease agreements for police vehicles with an initial lease obligation acknowledged in the amount of \$161,722.85 and monthly payments ranging from \$878.16 to \$1,197.81. On February 2, 2023, the Village entered into one 60-month lease agreement for a police vehicle with an initial lease obligation in the amount of \$61,327.11 and a monthly payment of \$1,317.44. On October 1, 2024 and December 1, 2024, the Village entered into three separate 60-month lease agreements for police vehicles with an initial lease obligation in the amount of \$199,521.63 and monthly payments ranging from \$1,412.04 to \$1,457.23. On April 30, 2025, the Village entered into two separate 60-month lease agreements for police vehicles with an initial lease obligation acknowledged in the amount of \$135,060.00 and monthly payments of \$1,409.15.

The following is a summary of the lease obligation principal and interest payments to maturity due at December 31, 2025:

	Total Lease Liability as of December 31,		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 158,300.23	\$ 34,083.55	\$ 192,383.78
2027	115,361.59	21,761.90	137,123.49
2028	74,284.68	12,550.90	86,835.58
2029	73,477.55	4,760.43	78,237.98
2030	11,059.86	213.34	11,273.20
	<u>\$ 432,483.91</u>	<u>\$ 73,370.12</u>	<u>\$ 505,854.03</u>

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

4. FIXED ASSETS

The following is a summary of changes in the General and Water Utility Fixed Assets account group as of December 31, 2025 and 2024:

<u>General Fixed Assets</u>	Balance December 31, <u>2024</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2025</u>
Land and Land Improvements	\$ 32,528,166.00			\$ 32,528,166.00
Buildings and Building Improvements	41,203,345.00			41,203,345.00
Vehicles and Equipment	<u>13,333,568.76</u>	<u>\$ 888,723.47</u>	<u>\$ 470,090.60</u>	<u>13,752,201.63</u>
	<u>\$ 87,065,079.76</u>	<u>\$ 888,723.47</u>	<u>\$ 470,090.60</u>	<u>\$ 87,483,712.63</u>
	Balance December 31, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2024</u>
Land and Land Improvements	\$ 32,528,166.00			\$ 32,528,166.00
Buildings and Building Improvements	41,203,345.00			41,203,345.00
Vehicles and Equipment	<u>12,939,118.65</u>	<u>\$ 394,450.11</u>		<u>13,333,568.76</u>
	<u>\$ 86,670,629.65</u>	<u>\$ 394,450.11</u>	<u>\$ -</u>	<u>\$ 87,065,079.76</u>
	Balance December 31, <u>2024</u>	<u>Additions</u>	<u>Reductions*</u>	Balance December 31, <u>2025</u>
Land and Land Improvements	\$ 5,348,937.00		\$ 5,348,937.00	
Buildings and Building Improvements	1,871,781.00	\$ 6,300,000.00	8,171,781.00	
Vehicles and Equipment	<u>4,619,671.55</u>		<u>4,619,671.55</u>	
	<u>\$ 11,840,389.55</u>	<u>\$ 6,300,000.00</u>	<u>\$ 18,140,389.55</u>	<u>\$ -</u>
	Balance December 31, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2024</u>
Land and Land Improvements	\$ 5,348,937.00			\$ 5,348,937.00
Buildings and Building Improvements	1,371,781.00	500,000.00		1,871,781.00
Vehicles and Equipment	<u>4,619,671.55</u>			<u>4,619,671.55</u>
	<u>\$ 11,340,389.55</u>	<u>\$ 500,000.00</u>	<u>\$ -</u>	<u>\$ 11,840,389.55</u>

*As a result of the water system sale, all of the Village's rights, title and interest in the Water System were transferred to New Jersey American Water. See Note 18 for additional details regarding the sale of the system.

5. LEASE REVENUE

The Village entered into lease agreements with Verizon, AT&T and Omnipoint to lease cell tower space in exchange for rent paid through long-term agreements that commenced on March 28, 2007, May 9, 2003, and December 18, 2003, respectively, and will expire after 5 years if no option to extend the contract four additional times is utilized. The Village has utilized or intends on utilizing the extensions to the full terms allowed in the agreements. Collectively from all lessor agreements, the lessors paid the Village \$105,692.49 for the year ended December 31, 2025.

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

5. LEASE REVENUE (continued)

The future minimum lease payments to be received by the Village are as follows:

Total Lease Receivable as of December 31.

	<u>Verizon</u>	<u>AT&T</u>	<u>Omnipoint</u>	<u>Total</u>
2026	\$ 40,224.10	\$ 32,051.28	\$ 32,051.28	\$ 104,326.66
2027	45,252.10	32,051.28	32,051.28	109,354.66
2028	46,257.72	33,653.84	32,251.60	112,163.16
2029	46,257.72	34,455.12	34,455.12	115,167.96
2030	46,257.72	34,455.12	34,455.12	115,167.96
2031-2035	257,886.79	80,395.28	100,494.10	438,776.17
2036-2037	62,062.46			62,062.46
	<u>\$ 544,198.61</u>	<u>\$ 247,061.92</u>	<u>\$ 265,758.50</u>	<u>\$ 1,057,019.03</u>

6. DUE TO/FROM OTHER FUNDS

As of December 31, 2025 and 2024, interfund receivables and payables that resulted from various interfund transactions are as follows:

	<u>2025</u>		<u>2024</u>	
	<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	\$ 3,146.35	\$ 467,902.18	\$ 2,310.47	\$ 40,578.03
General Trust Fund	469,318.83		28,763.05	2,310.47
Payroll Trust Fund		1,416.65	12,465.87	
Animal Control Trust Fund		2,036.25	7,334.00	
Public Assistance Trust Fund				7,984.89
Developer's Escrow Trust Fund		49.46		
Lien Redemption Account Fund		1,060.64		
	<u>\$ 472,465.18</u>	<u>\$ 472,465.18</u>	<u>\$ 50,873.39</u>	<u>\$ 50,873.39</u>

All interfund balances are expected to be liquidated within one year.

7. 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:

	<u>2025</u>		<u>2024</u>	
	<u>Fund Balance December 31.</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31.</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund Surplus	<u>\$ 13,146,082.02</u>	<u>\$ 4,468,000.00</u>	<u>\$ 12,355,930.29</u>	<u>\$ 3,943,000.00</u>
Water Utility Operating Fund Surplus	<u>\$ 1,882,637.22</u>	<u>\$ 200,000.00</u>	<u>\$ 1,221,097.08</u>	<u>\$ 656,314.27</u>

The above fund balance amounts utilized represents the surplus anticipated in the 2025 and 2024 municipal budgets.

SOUTH ORANGE VILLAGE
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2025 AND 2024

8. COMPENSATED ABSENCES

Under the existing policies and labor agreements of the Village, 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 Village's total liability for sick time as of December 31, 2025, based on contractual limits, is \$1,965,329.18. This amount is not an immediate liability of the Village and the likelihood of this amount becoming due and payable at any time within the next twelve months is remote. As of December 31, 2025, the Village has set aside reserves in its Trust Fund in the amount of \$209,180.60.

9. PENSION PLANS

Description of Plans

The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees' Retirement System (PERS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

Public Employees' Retirement System

The PERS is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows: *Plan Membership and Contributing Employers* - Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2024:

	2024
Inactive plan members or beneficiaries currently receiving benefits	193,988
Inactive plan members entitled to but not yet receiving benefits	573
Active plan members	244,324
Total	438,885

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

9. PENSION PLANS (continued)

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.

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50.00% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

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

For the year ended December 31, 2025, the Village's total payroll for all employees was \$14,773,176.09. For the year ended December 31, 2025, total PERS covered payroll was \$4,765,557.00. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Village 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 are based on an amortization of the unfunded accrued liability. Funding or noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2024, 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. Village contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

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.

The Village's liability for PERS for the year ended December 31, 2025 was \$775,030.00.

The Village 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

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

9. PENSION PLANS (continued)

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members 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. At June 30, 2024, the PERS reported a net pension liability of \$13,588,045,796.00 for its Non-State Employer Member Group. The Village's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to the Village was \$6,637,641.00 or 0.0488491218%, which was a decrease of 0.0070889068% from its proportion measured as of June 30, 2023. The pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024.

At December 31, 2024, the Village's deferred outflows of resources and deferred inflows of resources related to PERS were from the following sources, if GASB Statement No. 68 was recognized:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 132,964.00	\$ 17,671.00
Changes of assumptions	8,245.00	75,521.00
Net difference between projected and actual investment earnings on pension plan investments		307,769.00
Changes in proportion and differences between Village contributions and proportionate share of contributions	14,176.00	1,449,533.00
Village contributions subsequent to the measurement date	775,030.00	
	<u>\$ 930,415.00</u>	<u>\$ 1,850,494.00</u>

\$775,030.00 is reflected above as deferred outflows of resources related to pensions resulting from Village 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, if GASB Statement No.68 was recognized:

<u>Year ended December 31,</u>	<u>Amount</u>
2025	\$ (771,519.00)
2026	(192,217.00)
2027	(417,764.00)
2028	(296,715.00)
2029	(16,894.00)
Total	<u>\$ (1,695,109.00)</u>

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

9. PENSION PLANS (continued)

Actuarial Assumptions- The total collective pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2024
Inflation Rate: Price	2.75%
Inflation Rate: Wage	3.25%
Salary Increases	2.75% - 6.55% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.20% adjustment for males and 101.40% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.40% adjustment for males and 99.70% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.70% adjustment for males and 117.20% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) 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, 2024 in the following table:

2024		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	28.00%	8.63%
Non-U.S. Developed Market Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Market Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%
	100.00%	

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

9. PENSION PLANS (continued)

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2024 was 7.00%. 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 based on 100.00% of the actuarially determined contributions for the State employer and 100.00% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate - the following presents the collective net pension liability of PERS calculated using the discount rates as disclosed below 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 point higher than the current rate:

	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Village's proportionate share	\$ 8,819,793.00	\$ 6,637,641.00	\$ 4,780,642.00

Plan Fiduciary Net Position - The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2024 was \$37,740,650,902.00.

Additional information

Collective Local Group balances at June 30, 2024 are as follows:

Collective deferred outflows of resources	\$	1,079,580,780.00
Collective deferred inflows of resources		1,611,322,898.00
Collective net pension liability - Local group		13,702,423,985.00
Village's Proportion		0.0488491218%

Collective pension expense for the Local Group for the measurement period ended June 30, 2024 was \$372,160,096.00. The average of the expected remaining service lives of all plan members is 5.08, 5.08, 5.04, 5.13, 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

State Contribution Payable Dates

Chapter 83, P.L. 2016 requires the State to make pension contributions on a quarterly basis: at least 25.00% by September 30, at least 50.00% by December 31, at least 75.00% by March 31, and at least 100.00% by June 30. As such, contributions are assumed to be made on a quarterly basis with the first contribution 15 months after the associated valuation date.

Local employer's contributions are expected to be paid on April 1st, 21 months after the associated valuation date.

SOUTH ORANGE VILLAGE
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2025 AND 2024

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 year ended June 30, 2024 are \$1,393,655,054.00.

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, 2024:

	2024
Inactive plan members or beneficiaries currently receiving benefits	50,109
Inactive plan members entitled to but not yet receiving benefits	66
Active plan members	41,451
Total	91,626

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.

In accordance with Chapter 98, P.L. 2017, PFRS receives 1.20% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from the lottery proceeds are assumed to be contributed to the System on a monthly basis.

Consistent with Chapter 83, P.L. 2016, it is assumed that the State will make pension contributions in equal amounts at the end of each quarter. It is assumed the Local employers' contributions are expected to be received on April 1st, 21 months after the associated valuation date.

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 31, 2025, the Village's total payroll for all employees was \$14,733,176.09. For the year ended December 31, 2024, total PFRS covered payroll was \$4,834,091.00. Due to payroll system limitations, covered payroll refers to pensionable compensation, rather than total compensation, paid by the Village to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions - The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.50% of annual compensation to 10.00% in October 2011. Employer contribution amounts are based on an

SOUTH ORANGE VILLAGE
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YEARS ENDED DECEMBER 31, 2025 AND 2024

9. PENSION PLANS (continued)

actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits.

The Village's liability for PFRS for the year ended December 31, 2025 was \$1,909,850.

The Village 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 21, 2010
2	Members who were eligible to enroll on or after May 21, 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 2.00% of final compensation for each year of creditable service, as defined, up to 30 years plus 1.00% 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 65.00% (tiers 1 and 2 members) and 60.00% (tier 3 members) of final compensation plus 1.00% 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 2.00% of final compensation for each year of service.

At June 30, 2024, the PFRS reported a net pension liability of \$12,362,466,447 for its Non-State, Non-Special Funding Situation Employer Member Group. The Village's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$14,454,035.00, or 0.13996897% which was an decrease of 0.07561454% from its proportion, measured as of June 30, 2023. The pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024.

At December 31, 2024 the Village would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources, if GASB Statement No. 68 was recognized:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 910,593.00	\$ 494,825.00
Changes of assumptions	22,849.00	424,491.00
Net difference between projected and actual investment earnings on pension plan investments		113,129.00
Changes in proportion and differences between Village contributions and proportionate share of contributions	1,664,248.00	9,904,522.00
Village contributions subsequent to the measurement date	1,909,850.00	
	<u>\$ 4,507,540.00</u>	<u>\$ 10,936,967.00</u>

SOUTH ORANGE VILLAGE
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9. PENSION PLANS (continued)

\$1,909,850.00 is reflected above as deferred outflows of resources related to pensions resulting from Village 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, if GASB 68 was recognized:

Year ended December 31,	Amount
2025	\$ (2,637,540.00)
2026	(2,058,482.00)
2027	(811,311.00)
2028	(1,167,214.00)
2029	(1,525,121.00)
2030	(139,609.00)
Total	<u>\$ (8,339,277.00)</u>

Actuarial Assumptions - The total collective pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>June 30, 2024</u>
Inflation Rate: Price	2.75%
Inflation Rate: Wage	3.25%
Salary Increases:	3.25% - 16.25% based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.60% adjustment for males and 102.50% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.70% adjustment for males and 96.00% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.00% adjustment for males and 109.30% adjustment for females. Mortality improvement is based on Scale MP-2021.

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2024) 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

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

9. PENSION PLANS (continued)

estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2024 are summarized in the following table:

2024		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large-Cap Equity	24.00%	6.90%
U.S. Small/Mid Cap Equity	4.00%	7.40%
Non-U.S. Developed Large-Cap Equity	9.50%	6.70%
Non-U.S. Developed Small Cap Equity	2.00%	7.50%
Emerging Markets Large-Cap Equity	6.00%	9.60%
Emerging Markets Small-Cap Equity	1.50%	9.60%
U.S. Treasury Bond	7.00%	4.10%
U.S. Corporate Bond	5.00%	5.90%
U.S. Mortgage-Backed Securities	5.00%	4.40%
Global Multisector Fixed Income	6.00%	6.50%
Cash	2.00%	3.40%
Real Estate Core	3.00%	5.10%
Real Estate Non-Core	4.00%	6.50%
Infrastructure	3.00%	7.00%
Private Debt/Credit	8.00%	9.10%
Private Equity	10.00%	10.10%
	100.00%	

Discount Rate – The discount rate used to measure the total pension liability as of June 30, 2024 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100.00% of the actuarially determined contributions for the State employer and 100.00% of actuarially determined contributions for local employers. 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. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments 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 point higher than the current rate:

	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
PFRS \$	20,651,600.00	\$ 14,454,035.00	\$ 9,292,821.00

Plan Fiduciary Net Position – The plan fiduciary net position for PFRS at June 30, 2024 was \$32,847,534,867.00.

SOUTH ORANGE VILLAGE
 NOTES TO THE FINANCIAL STATEMENTS
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9. PENSION PLANS (continued)

Additional information

Collective Local Group balances at June 30, 2024 are as follows:

Collective deferred outflows of resources	\$ 1,350,388,724.00
Collective deferred inflows of resources	1,421,121,200.00
Collective net pension liability - Local group	12,362,466,447.00
Village's Proportion	0.1399689700%

Collective pension expense (benefit) for the Local Group for the measurement period ended June 30, 2024 was \$775,608,307.00. The average of the expected remaining service lives of all plan members is 6.09, 6.16, 6.22, 6.17, 5.90, 5.92, 5.73, 5.59, 5.58, 5.53 and 6.17 years for 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014, respectively.

State Contribution Payable Dates

Chapter 83, P.L. 2016 requires the State to make pension contributions on a quarterly basis: at least 25.00% by September 30, at least 50.00% by December 31, at least 75.00% by March 31, and at least 100.00% by June 30. As such, contributions are assumed to be made on a quarterly basis.

Local employer's contributions are expected to be paid on April 1st, 21 months after the associated valuation date.

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 year ended June 30, 2024 are \$0.00.

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 Village as of June 30, 2024 for PFRS is 0.0.13996897%. The non-employer contributing entities' contribution for the year ended June 30, 2024 was \$327,821.00. The state's proportionate share of net pension liability attributable to the Village as of June 30, 2024 was \$2,849,582.00.

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 \$5,000.00 to be eligible or to continue participation.

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
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9. PENSION PLANS (continued)

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 \$5,000.00 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 \$5,000.00 annually.

Contribution Requirement and Benefit Provisions - State and local government employers contribute 3.00% of the employee's base salary. Active members contribute 5.50% of base salary.

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 7.50% for PERS, 10.00% for PFRS and 5.50% for DCRP of employees' base wages.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, "Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions;" therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Annual Comprehensive Financial Report (ACFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

SOUTH ORANGE VILLAGE
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10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. 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.

Contributions

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Plan Membership and Contributing Employers:

Plan membership and contributing employers/non-employers consisted of the following at June 30, 2024:

	June 30, 2024
Inactive plan members or beneficiaries currently receiving benefits	28,899
Active plan members	60,691
Total	89,590
Contributing employers	590
Contributing nonemployers	1

SOUTH ORANGE VILLAGE
 NOTES TO THE FINANCIAL STATEMENTS
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10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Nonspecial Funding Situation – The State of New Jersey’s Total OPEB Liability for nonspecial funding situation was \$11,517,446,269.00 at June 30, 2024.

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, 2024
Total OPEB Liability	\$17,748,257,548.00
Plan Fiduciary Net Position (deficit)	(157,187,957.00)
Net OPEB Liability	\$17,905,445,505.00
Plan fiduciary net position as a percentage of the total OPEB liability	-0.89%

Actuarial Assumptions and Other Inputs – The total OPEB liability as of June 30, 2024 was determined by an actuarial valuation as of June 30, 2023, which was rolled forward to June 30, 2024. 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 2024 in the measurement:

	June 30, 2024
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Rate for all future years	2.75% - 6.55%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% - 16.25%
	Based on years of service

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

Preretirement and postretirement mortality rates were based on the Pub-2010 Safety Headcount-Weighted mortality table with fully generational mortality improvement projections from the central year using the MP-2021 scale.

Actuarial assumptions used in the July 1, 2023 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021 respectively.

100.00% of active members are considered to participate in the Plan upon retirement.

Discount Rate - The discount rate for June 30, 2024 was 3.93%. 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.

SOUTH ORANGE VILLAGE
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10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability as of June 30, 2024, 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 discount rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	1.00% Decrease	At Discount Rate	1.00% Increase
Total Net OPEB Liability - 2024	\$ 20,857,914,273.00	\$ 17,905,445,505.00	\$ 15,540,780,410.00

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, 2024, 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:

	Heathcare Cost		
	1.00% Decrease	Trend Rate	1.00% Increase
Total Net OPEB Liability - 2024	\$ 15,144,352,142.00	\$ 17,905,445,505.00	\$ 21,455,435,620.00

Special Funding Situation - The State of New Jersey's Total OPEB Liability for special funding situation was \$4,833,833,875.00 at June 30, 2024.

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, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer 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. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer. The participating employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the OPEB expense allocated to the State of New Jersey under the special funding situation.

The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of South Orange Village was \$24,101,818.00 (112 members) at June 30, 2024. These allocated liabilities represent 0.544906% of the State's total Nonemployer OPEB Liability for June 30, 2024. The OPEB Expense attributed to the Village was \$(2,574,487.00) at June 30, 2024.

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

The Village has established a LOSAP in accordance with N.J.A.C. 5:30-14. Annually, the Village 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 Village until they are distributed and as such are subject to the claims of the Village's general creditors. As of December 31, 2025 and 2024, there was \$665,010.42 and \$597,591.54, respectively, held in the LOSAP. The plan is administered by The Lincoln Financial Group.

SOUTH ORANGE VILLAGE
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12. TAX APPEALS

There are several tax appeals pending before the State Tax Court of New Jersey requesting a reduction of assessments for the year 2025 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 Village has made a provision from tax revenues, in the amount of \$255,457.78 as of December 31, 2025 and 2024, for these appeals in the event that the tax reductions are granted. In accordance with the National Council on Governmental Accounting Statement No. 4, "*Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*," the Village 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 Village's share of the County taxes paid on any successful tax appeal would result in appropriate reductions applied against the County tax levy of the following year.

13. RISK MANAGEMENT

The Village 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 Village 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, 2025. The JIF is self-sustaining through member premiums, reported as an expenditure in the Village'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 Village continues to carry commercial insurance for other risks of loss, principally employee health insurance.

14. COMMITMENTS AND CONTINGENCIES

The Village 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, 2025, the Village estimates that no material liabilities will result from such audits.

The Village 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.

SOUTH ORANGE VILLAGE
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15. SOUTH ORANGE PERFORMING ARTS CENTER

As an example of public-private partnership, the South Orange Performing Arts Center ("SOPAC") opened in October of 2006. This is a partnership between the Village, SOPAC, a 501(c)(3) Corporation, and Seton Hall University ("SHU"). The SOPAC, as a nonprofit organization independent of the Village, is managing the day-to-day affairs of the SOPAC and both the Village and Seton Hall provided funding for construction of the project. A substantial portion from the funding from the Village comes from an Essex County Improvement Authority loan and the Community Development Block Grant ("CDBG").

The Village has acted as a pass-through agency between CDBG and SOPAC. In addition, SHU is providing private funding for construction and design through the Village. The result will be a shared-use facility between the SOPAC and SHU. The Village supported the SOPAC's operations in 2006 with \$300,000.00 from its Current Fund. Construction loans in the amount of \$14,295,373.00 have been provided to SOPAC since the creation of the 501(c)(3) corporation.

On June 1, 2005, the Village executed a term loan mortgage on in the amount of \$10,600,000.00 to finance the construction of the SOPAC facility. The Village 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 Village financed an additional \$3,695,373.00 to the SOPAC evidenced by a term loan note.

On February 24, 2009, the Village financed an additional \$275,000.00 to the SOPAC evidenced by a term loan note.

On June 17, 2014, the Village passed an ordinance whereby the Agreement with the South Orange Performing Arts Center (the "Arts Center") was amended. The Village 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.

16. SETON HALL UNIVERSITY

The Village has funded \$1,000,000.00 for certain construction costs, which has been repaid by SHU from 2006-2025, at \$50,000.00 per year plus interest ranging from 4.00% - 5.00%. At December 31, 2025 the outstanding balance due from SHU was paid off with SHU's final payment of \$50,000.00.

17. GASB 77 TAX ABATEMENTS

The Village 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 2025, the Village collected revenue from various tax abatement agreements in the amount of \$3,982,685.95. If taxes had been billed in full at the 2025 tax rates, \$10,022,248.14 would have been collected from property owners.

18. DEBT DEFEASANCE

During the year, the Village entered into an agreement for the sale of its Water System to New Jersey American Water Company ("NJAW") for a purchase price of \$19,700,000.00, not including adjustments for transactional costs and engineering plans of \$100,000.00 and \$400,000.00, respectively, for a total of \$20,200,000.00. NJAW will purchase all of the Village's rights, title and interest in the Water System. The only items excluded from this purchase price are personal property, office equipment, office supplies, vehicles, cash, securities and the accounts receivable of the Village relating to the Water System up to and including the closing date of December 10, 2025. The

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18. DEBT DEFEASANCE (continued)

purchase price of \$19,700,000.00 shall be utilized to reduce future debt obligations of the Village. The total defeasance and prepayment cost that resulted from this purchase is \$19,754,678.60. \$15,265,512.20 from the sale of the Water System was deposited and held in an escrow account with Manufacturers and Traders Trust Company, and U.S. Bank Trust Company, NA to pay the related defeased debt and New Jersey Infrastructure loans, respectively.

In connection with the closing of this transaction, the Village executed a comprehensive debt defeasance on December 3, 2025, with settlement occurring on October 7, 2025. The defeasance was accomplished through the deposit of cash and the purchase of noncallable direct obligations of the United States Government (State and Local Government Series – SLGS) in amounts sufficient to meet all future debt service requirements on the refunded bonds and notes. Accordingly, the defeased obligations are considered extinguished for financial reporting purposes in accordance with GASB Statement No. 86, “*Certain Debt Extinguishment Issues*,” and have been removed from the Village’s outstanding debt.

On the closing date, the Village had a short-term I-Bank loan in the amount of \$2,203,415.40 and a long-term I-Bank loan in the amount of \$562,857.87. The short-term loan will be prepaid in full and the long-term loan will be defeased. In order to effectuate the pre-payment, defeasance, and redemption, as applicable, of all of the New Jersey Infrastructure Bank (NJIB) obligations, the Escrow Agent withdrew \$2,809,419.76, which included \$43,148.36 other closing costs from the escrow fund to prepay and satisfy the conditions of the NJIB obligations.

\$2,242,602.64 of the initial escrow deposit shall be paid in the amounts of \$2,212,911.60 and \$29,691.04 for expenditures related to bonds and notes authorized but not issued and transaction costs, respectively. The remaining water utility bonds and bond anticipation notes have also been defeased and removed from the financial statements. \$1,260,821.04 of the initial escrow deposit shall be paid in the amount of \$1,255,000.00 for the outstanding principal amount and remaining interest of the Village’s Water Utility Bonds, Series 2018, dated April 24, 2018. \$265,332.71 of the initial escrow deposit shall be paid in the amount of \$240,000.00 for the outstanding principal amount and remaining interest of the Village’s Water Utility Refunding Bonds, Series 2021, dated July 7, 2021. \$11,294,958.08 of the initial escrow deposit shall be paid in the amount of \$11,033,000.00 and \$261,958.08 for the maturity of principal and interest, respectively, for the Village’s Water Utility Bond Anticipation Notes.

\$1,881,544.37 of the initial escrow deposit shall be paid in the amount of \$1,870,000.00 for the partial outstanding principal amount and interest of the Village’s General Improvement Bonds, Series 2018, dated April 24, 2018.

The breakdown of funds deposited into the escrow fund established of \$14,702,656.20, by fund and type, are as follows:

Debt Defeasance - General Obligation Bonds - 2018 Series			
	Principal	Interest	Total
2026	\$ 460,000.00	\$ 2,839.79	\$ 462,839.79
2027	695,000.00	4,290.55	699,290.55
2028	715,000.00	4,414.02	719,414.02
	\$ 1,870,000.00	\$ 11,544.37	\$ 1,881,544.37

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18. DEBT DEFEASANCE (continued)

Debt Defeasance - Water Utility Bonds - 2018 Series

	Principal	Interest	Total
2026	\$ 145,000.00	\$ 672.55	\$ 145,672.55
2027	150,000.00	695.74	150,695.74
2028	160,000.00	742.12	160,742.12
2029	160,000.00	742.12	160,742.12
2030	160,000.00	742.12	160,742.12
2031-2033	480,000.00	2,226.37	482,226.37
	<u>\$ 1,255,000.00</u>	<u>\$ 5,821.04</u>	<u>\$ 1,260,821.04</u>

Debt Defeasance - Water Utility Bonds - 2021 Series

	Principal	Interest	Total
2026	\$ 60,000.00	\$ 6,333.18	\$ 66,333.18
2027	60,000.00	6,333.18	66,333.18
2028	60,000.00	6,333.18	66,333.18
2029	60,000.00	6,333.18	66,333.18
	<u>\$ 240,000.00</u>	<u>\$ 25,332.71</u>	<u>\$ 265,332.71</u>

Debt Defeasance - Water Utility Bond Anticipation Notes

	Principal	Interest	Total
2026	\$ 11,033,000.00	\$ 261,958.08	\$ 11,294,958.08
	<u>\$ 11,033,000.00</u>	<u>\$ 261,958.08</u>	<u>\$ 11,294,958.08</u>

The sum of the tables shown above is reflected below:

Debt Defeasance - Total Escrow Funds

	Principal	Interest	Total
2026	\$ 11,698,000.00	\$ 271,803.60	\$ 11,969,803.60
2027	905,000.00	11,319.47	916,319.47
2028	935,000.00	11,489.33	946,489.33
2029	220,000.00	7,075.30	227,075.30
2030	160,000.00	742.12	160,742.12
2031-2033	480,000.00	2,226.37	482,226.37
	<u>\$ 14,398,000.00</u>	<u>\$ 304,656.20</u>	<u>\$ 14,702,656.20</u>

SOUTH ORANGE VILLAGE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

18. DEBT DEFEASANCE (continued)

The remainder of the Water Utility debt defeasance related to the sales price received by the Village will be distributed for the following:

Debt Defeasance - Water Utility NJ I-Bank (Loans)			
	Principal	Interest	Total
2026	\$ 10,000.00	\$ 520.67	\$ 10,520.67
2027	10,000.00	520.67	10,520.67
2028	10,000.00	520.67	10,520.67
2029	20,000.00	1,041.35	21,041.35
2030	20,000.00	1,041.35	21,041.35
2031	465,000.00	24,211.29	489,211.29
	\$ 535,000.00	\$ 27,856.00	\$ 562,856.00

As a result of the transaction, the Village has no remaining debt obligations related to the defeasance described above, and the related balances have been excluded from the financial statements as of December 31, 2025. The details of the Village's outstanding debt after the defeasance is presented in Note 3.

19. SUBSEQUENT EVENTS

The Village has evaluated subsequent events occurring after the balance sheet date through May 19, 2026, which is the date the financial statements were available to be issued. We have noted the following subsequent events that have an impact on the Village succeeding the period December 31, 2026:

On April 13, 2026, the Village appropriated \$5,603,140.00 in supplemental bonds or notes to be issued to finance various capital improvements passed by the Village council with \$4,619,720.00 authorized for bonds or notes.

APPENDIX C

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

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_____, 2026

Village Council of
South Orange Village, in the
County of Essex, New Jersey

Dear Council Members:

We have acted as bond counsel to South Orange Village, in the County of Essex, New Jersey (the "Village"), in connection with the issuance by the Village of its \$20,391,000 Bond Anticipation Note (the "Note"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to our satisfaction and have undertaken such research and analyses as we have deemed necessary.

The Note is 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 prepared in connection with this issue, each in all respects duly approved and published as required by law. The Note is a temporary obligation 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 Note is a valid and legally binding obligation of the Village, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable property within the Village for the payment of the principal of and interest on the Note 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 Note in order to preserve the tax-exempt status of the Note 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 Note to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Note. 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 Note 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 Note is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Note is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Note. Further, in our opinion, based upon existing law, interest on the Note and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

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

Very truly yours,

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